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1982 NACDS-LILLY DIGEST—A Survey of Chain Pharmacy Operations for 1981

A summary of the 1981 operations of
1,601 chain pharmacies

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Foreword

The twelfth edition of the NACDS-LILLY DIGEST summarizes the operating statistics of 1,601 chain pharmacies. The primary purpose of the DIGEST is to provide useful information so that pharmacy managers can compare and evaluate individual unit performance and, when appropriate, initiate action for improvements. The contents of this publication are designed to assist chain store managers in making such decisions.

The section entitled "Chain Pharmacy Operations—1981" on pages 4 and 5 offers an overview of the industry.

The "Heart of the NACDS-LILLY DIGEST" (pages 21 through 27) is the "working section" of the DIGEST and presents average operating statistics to permit evaluations of chain units at various levels of sales and prescription activity. Further classification of chain stores by unit size, pharmacy location, and geographic region supplies store management with additional means of making a comparative evaluation of an individual pharmacy's performance.

Eli Lilly and Company is proud to provide this publication for the chain drug industry. The cooperation of the National Association of Chain Drug Stores, Inc., its board of directors, and, especially, the participating members, has made this edition possible.

Note

The National Association of Chain Drug Stores, Inc., is pleased to share in the publication of the twelfth edition of the NACDS-LILLY DIGEST. *The* DIGEST *continues to be a most valuable financial management tool and is widely accepted as a comprehensive and accurate report of industry operating statistics.*

Robert J. Bolger, *President*
National Association of Chain Drug Stores, Inc.

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Chain Pharmacy Operations 1981

For the twelfth consecutive year, the average NACDS-LILLY DIGEST pharmacy reported increased sales, but, in the average unit, the cost of goods sold was higher than in 1980 (Table 1). Since total expenses also rose as a percent of sales, net profit declined 0.8% from the 1980 level. The average number of prescriptions dispensed during 1981 continued to increase, with a 1% rise to just over 44,000.

A new sales record was established in 1981 as the 1,601 participating stores averaged $1,824,139, an 8.2% growth over the previous year's figure. The growth rate was, however, somewhat lower than the average annual growth rate of 8.6% for the last decade. The increase in total sales was due to a rise of 16% in prescription revenue and 6.4% in other sales. This increase of 16% in prescription sales was the largest yearly percentage advance in DIGEST history. A gain of $50,339 in prescription income was produced by a $1.07 rise in the average prescription charge accompanied by an increase of 423 in the total number of prescriptions dispensed. Prescription income constituted 20% of total sales, as compared with 18.7% in 1980. "Other" sales showed an increase in both dollars and percentage of sales—a gain of almost $88,000 and 6.4% respectively.

The cost of goods sold went up 0.4%, to 71.5% of sales. At the same time, total expenses rose 0.4%, which caused net profit before taxes to decline 0.8%, to 3.6% of sales—the lowest net profit percentage ever recorded in the NACDS-LILLY DIGEST.

The total wage package (manager's salary plus employees' wages) traditionally represents the greatest portion of expenses and, as such, indicates the importance of adequate control. In 1981, this expense declined slightly (from 11.2% to 11.1% of sales) and was equal to the 1979 figure, the lowest previously reported by DIGEST participants. Dollarwise, however, the increase in the employees' portion of the total wage package was the second highest ever recorded. The rise in employees' wages was accompanied by a larger number of employed pharmacist hours worked per week and a greater number of hours the units were open per week.

Miscellaneous operating expenses (shown within the braces in Table 1) required the largest increase in both dollars and percentage of sales in DIGEST history—moving from 10.6% in 1980 to 11.3%. Although greater dollar amounts were reported, no significant changes occurred in advertising, headquarters fee, and all other direct store expenses when expressed as percents of sales.

Rent reached a new low of 2.5% even though the dollar amount was higher by 2.9%. The average rental expense was more than $3,800 per month, or $4.93 per square foot per year. It is interesting to note that the square footage of the average store grew almost 5% during 1981 while rent expense rose 2.9%; the net effect was that rent per square foot dropped to $4.93 from the 1980 figure of $5.02.

Once again, the average floor area continued to expand, to 9,386 square feet, as compared with 8,957 square feet in 1980. Sales generated from the larger floor area continued the overall upward trend in total sales per square foot that began more than a decade ago. The 1981 figure of $188.40 is $5.37 higher than that for the previous year. Of particular importance is the dramatic increase in sales per square foot in the prescription department. This area yielded $1,008.35 in prescription revenue per square foot—a 53% increase in sales productivity as compared with the previous year's record. This may be explained in part by a decrease of more than 22% in the prescription area's size and an increase of almost 15% in the average prescription charge.

Total inventory attained a record dollar level during 1981; it rose almost $33,000, or 13.6%, over the 1980 figure. Inventory as a percent of sales also was significantly higher (up from 14.4% to 15.1%). At 15.1% of sales, the value of inventory at cost was the same as recorded in 1977, which had been the highest in DIGEST history. As a result of the increased values for inventory, annual inventory turnover declined to 4.8 times. Sales per dollar invested in prescription inventory continued to rise, up from $10.61 in 1980 to $11.37. Sales of nonprescription merchandise declined again, as shown by a 6.8% loss (from $6.45 to $6.01).

There was a 1% increase in total prescriptions dispensed, which reversed a two-year trend toward lower prescription activity. The ratio of new prescriptions to total prescriptions rose from 53.1% to 54.2%. The new prescription volume more than offset the decline in renewed prescriptions and resulted in a net gain of 423 prescriptions dispensed over the total for the previous year. The average prescription charge increased 14.8%, or $1.07, to $8.31 during 1981.

TABLE 1

Current trends in chain pharmacy operations

AVERAGES PER PHARMACY	1981 (1,601 Pharmacies)		1980 (1,231 Pharmacies)		Amount and Percent of Change	
Sales						
Prescription	$ 365,680	20.0%	$ 315,341	18.7%	+$ 50,339	+16.0%
Other	1,458,459	80.0%	1,370,507	81.3%	+$ 87,952	+ 6.4%
Total	$1,824,139	100.0%	$1,685,848	100.0%	+$138,291	+ 8.2%
Cost of goods sold	1,305,059	71.5%	1,198,974	71.1%	+$106,085	+ 8.8%
Gross margin	$ 519,080	28.5%	$ 486,874	28.9%	+$ 32,206	+ 6.6%
Expenses						
Manager's salary	$ 27,753	1.5%	$ 27,021	1.6%	+$ 732	+ 2.7%
Employees' wages	175,036	9.6%	161,598	9.6%	+$ 13,438	+ 8.3%
Rent	46,268	2.5%	44,970	2.7%	+$ 1,298	+ 2.9%
Utilities (including telephone)	22,123	1.2%	17,602	1.1%	+$ 4,521	+25.7%
Insurance, licenses, and taxes (except on profit)	33,396	1.9%	26,578	1.6%	+$ 6,818	+25.7%
Repairs	7,554	0.4%	5,574	0.3%	+$ 1,980	+35.5%
Advertising	31,498	1.7%	27,596	1.6%	+$ 3,902	+14.1%
Depreciation (except on buildings)	11,098	0.6%	11,254	0.7%	−$ 156	− 1.4%
Supplies	10,480	0.6%	8,911	0.5%	+$ 1,569	+17.6%
Headquarters fee	55,932	3.1%	53,958	3.2%	+$ 1,974	+ 3.7%
All other direct store expenses	31,593	1.8%	27,438	1.6%	+$ 4,155	+15.1%
		11.3%		10.6%		
Total expenses	$ 452,731	24.9%	$ 412,500	24.5%	+$ 40,231	+ 9.8%
Net profit (before taxes)	$ 66,349	3.6%	$ 74,374	4.4%	−$ 8,025	−10.8%
Warehouse fee*	$ 25,155	2.4%	$ 25,543	2.4%	−$ 388	− 1.5%
As a percent of cost of goods sold		3.4%		3.3%		
Value of inventory at cost and as a percent of sales						
Prescription	$ 32,172	8.8%	$ 29,711	9.4%	+$ 2,461	+ 8.3%
Other	242,861	16.7%	212,381	15.5%	+$ 30,480	+14.4%
Total	$ 275,033	15.1%	$ 242,092	14.4%	+$ 32,941	+13.6%
Annual rate of turnover of inventory	4.8 times		5.0 times			
Size of area*	sq. ft.		sq. ft.			
Prescription	349	3.7%	448	5.0%	− 99	−22.1%
Other	9,037	96.3%	8,509	95.0%	+ 528	+ 6.2%
Total	9,386	100.0%	8,957	100.0%	+ 429	+ 4.8%
Sales per square foot*						
Prescription	$1,008.35		$658.93		+$ 349.42	+53.0%
Other	156.75		157.98		−$ 1.23	− 0.8%
Total	188.40		183.03		+$ 5.37	+ 2.9%
Sales per dollar invested in inventory						
Prescription	$11.37		$10.61		+$ 0.76	+ 7.2%
Other	6.01		6.45		−$ 0.44	− 6.8%
Net profit per dollar invested in inventory	$0.241		$0.307		−$ 0.066	−21.5%
Number of prescriptions dispensed						
New	23,859	54.2%	23,121	53.1%	+ 738	+ 3.1%
Renewed	20,142	45.8%	20,457	46.9%	− 315	− 1.5%
Total	44,001	100.0%	43,578	100.0%	+ 423	+ 1.0%
Prescription charge	$8.31		$7.24		+$ 1.07	+14.8%
Number of hours per week						
Pharmacy was open	86 hours		84 hours		+ 2	+ 2.4%
Worked by manager	46 hours		46 hours			no change
Worked by employed pharmacist(s)	82 hours		79 hours		+ 3	+ 3.8%

*Based on averages of pharmacies that reported all data

Sales and Expenses

Greater sales volume is one objective of pharmacy management and normally is viewed as an indication of managerial success. Of equal significance, however, is the behavior of various costs and expenses as sales volume increases. If efficient control over operating costs is not exercised, a growing sales volume alone is no guarantee of a profitable chain unit.

Chart 1 and Table 2 depict how selected operating statistics vary according to sales volume. Although a chain pharmacy's financial data are affected by sales volume, it is important to recognize that the characteristics of an individual unit also may have an impact on such figures. NACDS-LILLY DIGEST averages are adjusted to exclude refunds, sales tax collections, allowances to customers, and returns. The cost of goods sold is adjusted for discounts received, warehouse fees, and freight charges.

As seen in Chart 1, a graphic presentation of the statistics in Table 2, both total expenses and gross margin tend to decrease as percentages of sales when sales volume grows. Total expenses decline at a faster rate than does gross margin and thereby produce a greater net profit for units in the higher sales categories. Net profit (gross margin less total expenses) is shown in the shaded area.

As in other years, larger operations were generally more profitable than smaller ones. Certainly, "economies of scale" are reflected in various operating costs.

Chain pharmacy units with total sales volume below $500,000 may be unusual types of operations within the whole sample. This classification most likely includes newly opened outlets and/or stores that are in the early stage of growth and have yet to achieve their full potential. On the other hand, the effects of a declining market or of competition may be reflected in this category; therefore, operating statistics for such pharmacies should be evaluated with awareness of local conditions.

Gross Margin

With increasing volume, gross margin declines from 30.8% of sales in the lowest category (sales under $500,000) to 26.4% for units reporting over $3,000,000 in annual income (Table 2). One factor contributing to the decline in gross margin as volume increases may be the gradual reduction in the ratio of prescription sales to total sales even though there is an uptrend in prescription revenue. Prescription sales range from 34.7% of sales (in stores with less than $500,000 in total income) to a level of 12.3% (in units with the largest volume). The units with larger sales volume also post the fastest inventory turnover rates. Higher turnover usually results in better cash flow, less dependence on debt, and a reduced storage space requirement. It would appear that in operations with greater sales volume, management is allowing more leeway to accept lower-margin sales when inventory turnover is sufficiently high and expenses are adequately controlled, as long as the desired return on investment is attained. It has been suggested that higher-volume stores are located in areas where there is intense price competition, which undoubtedly affects the gross margin level.

Expenses

Total expenses drop from 39.8% for units with sales under $500,000 to 20.6% for outlets reporting over $3,000,000 in sales (Table 2). Consequently, in the largest sales group net profit is highest—5.8% of total sales before taxes. Primarily responsible for the downward trend in total expenses is the total wage package (manager's salary plus employees' wages). As sales rise, improved employee productivity is demonstrated by a steady decrease in the total wage package, from 18.7% to 9.5% of sales.

Effective management control is also exhibited by an overall reduction in miscellaneous operating expenses (all costs except salaries, wages, and rent), which decline from 15.2% in the lowest sales category to 8.9% in the highest. It is important to remember that several of these expenses are fixed or semivariable and normally would be expected to decrease percentagewise as sales rise. Nonetheless, this relationship points out the need for constant monitoring of the various miscellaneous expense items since, collectively, they have a definite impact on net profit.

CHART 1

Selected operating statistics according to sales volume

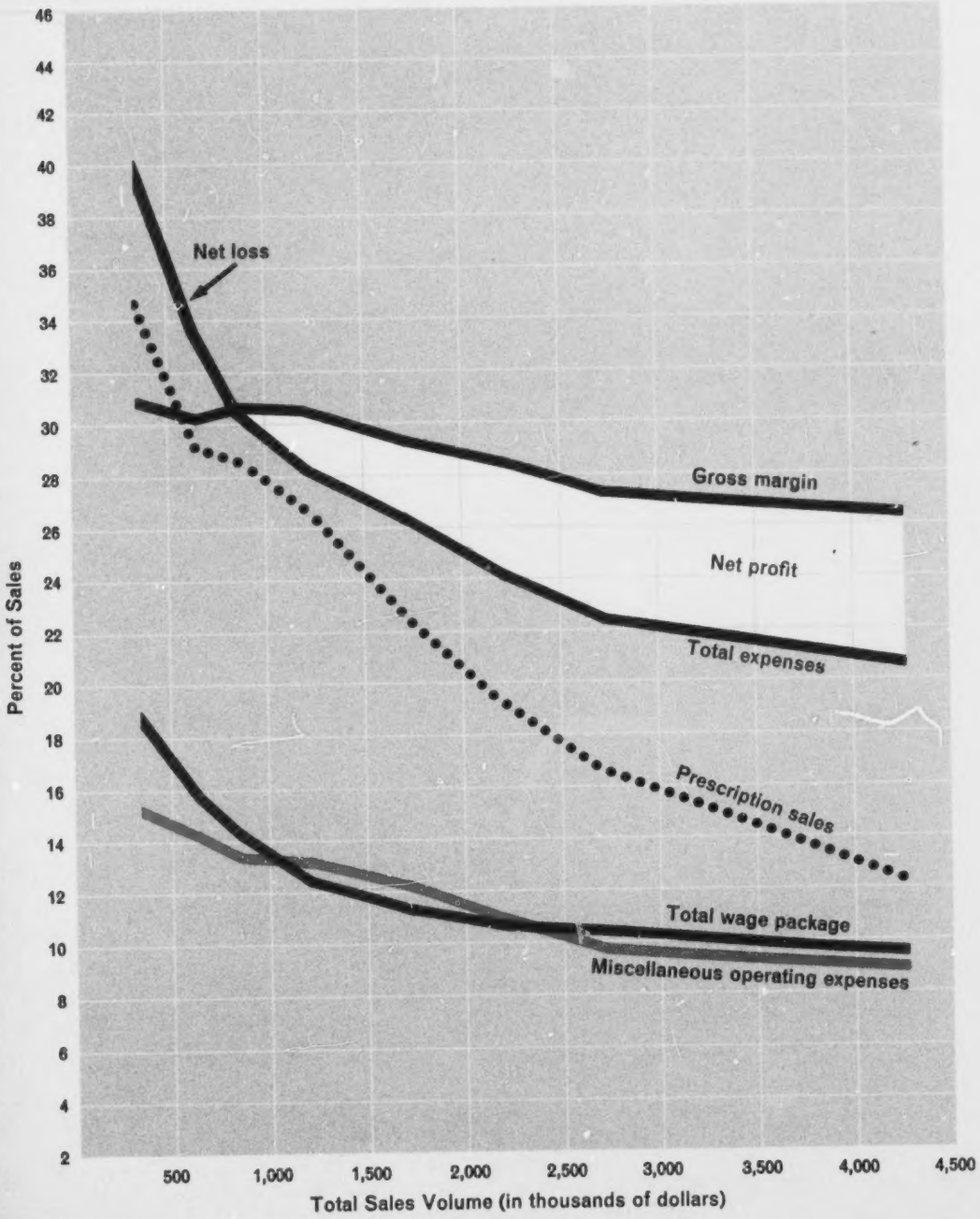


TABLE 2

Chain operations according to sales volume

AVERAGES PER PHARMACY	Total Sales under $500,000 (27 Pharmacies)		Total Sales $500,000 to $750,000 (71 Pharmacies)		Total Sales $750,000 to $1,000,000 (205 Pharmacies)	
Sales						
Prescription	$121,896	34.7%	$191,387	29.0%	$253,908	28.6%
Other	229,754	65.3%	468,551	71.0%	632,997	71.4%
Total	$351,650	100.0%	$659,938	100.0%	$886,905	100.0%
Cost of goods sold	243,469	69.2%	461,333	69.9%	615,661	69.4%
Gross margin	$108,181	30.8%	$198,605	30.1%	$271,244	30.6%
Expenses						
Manager's salary	$ 22,598	6.4%	$ 25,621	3.9%	$ 24,306	2.7%
Employees' wages	43,387	12.3%	76,913	11.7%	101,088	11.4%
Rent	20,693	5.9%	23,818	3.6%	25,974	2.9%
Utilities (including telephone)	6,321	1.8%	11,420	1.7%	14,970	1.7%
Insurance, licenses, and taxes (except on profit)	11,110	3.2%	17,135	2.6%	20,799	2.3%
Repairs	1,403	0.4%	2,942	0.4%	4,512	0.5%
Advertising	8,066	2.3%	13,449	2.0%	16,794	1.9%
Depreciation (except on buildings)	3,384	1.0%	5,611	0.9%	5,381	0.6%
Supplies	3,467	1.0%	5,316	0.8%	6,313	0.7%
Headquarters fee	5,756	1.6%	22,858	3.5%	30,967	3.5%
All other direct store expenses	13,726	3.9%	14,638	2.2%	18,212	2.1%
		15.2%		14.1%		13.3%
Total expenses	$139,911	39.8%	$219,721	33.3%	$269,316	30.3%
Net profit (before taxes)	($ 31,730	9.0%)	($ 21,116	3.2%)	$ 1,928	0.3%
Value of inventory at cost and as a percent of sales						
Prescription	$ 22,470	18.4%	$ 25,818	13.5%	$ 26,953	10.6%
Other	84,988	37.0%	136,006	29.0%	170,552	26.9%
Total	$107,458	30.6%	$161,824	24.5%	$197,505	22.3%
Annual rate of turnover of inventory	2.3 times		2.9 times		3.2 times	
Size of area and sales per square foot*	sq. ft.		sq. ft.		sq. ft.	
Prescription	318	$383.14	317	$603.96	313	$802.59
Other	3,773	60.90	5,321	88.06	6,987	90.86
Total	4,091	85.96	5,638	117.06	7,300	121.38
Sales per dollar invested in inventory						
Prescription	$5.42		$7.41		$9.42	
Other	2.70		3.45		3.71	
Net profit per dollar invested in inventory	($0.300)		($0.130)		$0.010	
Number of prescriptions dispensed						
New	8,395	55.9%	11,322	50.9%	15,781	52.3%
Renewed	6,636	44.1%	10,929	49.1%	14,393	47.7%
Total	15,031	100.0%	22,251	100.0%	30,174	100.0%
Prescription charge	$8.11		$8.60		$8.41	
Number of hours per week						
Pharmacy was open	71 hours		81 hours		82 hours	
Worked by proprietor	48 hours		47 hours		46 hours	
Worked by employed pharmacist(s)	40 hours		55 hours		65 hours	

*Based on averages of pharmacies that reported all data

Total Sales $1,000,000 to $1,500,000 (510 Pharmacies)	Total Sales $1,500,000 to $2,000,000 (314 Pharmacies)	Total Sales $2,000,000 to $2,500,000 (165 Pharmacies)	Total Sales $2,500,000 to $3,000,000 (119 Pharmacies)	Total Sales over $3,000,000 (190 Pharmacies)
$ 332,407— 26.7%	$ 390,475— 22.6%	$ 427,857— 19.1%	$ 450,034— 16.5%	$ 527,555— 12.3%
911,883— 73.3%	1,337,374— 77.4%	1,806,595— 80.9%	2,277,933— 83.5%	3,745,265— 87.7%
$1,244,290—100.0%	$1,727,849—100.0%	$2,234,452—100.0%	$2,727,967—100.0%	$4,272,820—100.0%
866,191— 69.6%	1,224,097— 70.8%	1,600,900— 71.6%	1,982,706— 72.7%	3,145,507— 73.6%
$ 378,099— 30.4%	$ 503,752— 29.2%	$ 633,552— 28.4%	$ 745,261— 27.3%	$1,127,313— 26.4%
$ 26,106— 2.1%	$ 28,289— 1.6%	$ 29,609— 1.3%	$ 29,294— 1.1%	$ 33,959— 0.8%
127,897— 10.3%	167,807— 9.7%	207,482— 9.3%	252,514— 9.3%	371,970— 8.7%
33,690— 2.7%	47,748— 2.8%	57,181— 2.6%	62,293— 2.3%	91,985— 2.2%
18,161— 1.5%	21,865— 1.3%	26,465— 1.2%	29,837— 1.1%	38,548— 0.9%
25,205— 2.0%	31,138— 1.8%	36,001— 1.6%	47,086— 1.7%	71,109— 1.7%
6,348— 0.5%	8,103— 0.5%	8,627— 0.4%	8,420— 0.3%	14,290— 0.3%
24,661— 2.0%	32,491— 1.9%	38,405— 1.7%	34,829— 1.3%	66,064— 1.5%
6,852— 0.6%	11,473— 0.6%	13,242— 0.6%	17,912— 0.6%	25,062— 0.6%
7,799— 0.6%	9,583— 0.5%	12,469— 0.5%	16,325— 0.6%	21,191— 0.5%
48,534— 3.9%	63,520— 3.7%	68,523— 3.1%	66,933— 2.4%	91,850— 2.1%
25,085— 2.0%	32,227— 1.9%	40,722— 1.8%	46,155— 1.7%	54,287— 1.3%
13.1%	12.2%	10.9%	9.7%	8.9%
$ 350,338— 28.2%	$ 454,244— 26.3%	$ 538,726— 24.1%	$ 611,598— 22.4%	$ 880,315— 20.6%
$ 27,761— 2.2%	$ 49,508— 2.9%	$ 94,826— 4.3%	$ 133,663— 4.9%	$ 246,998— 5.8%
$ 30,603— 9.2%	$ 33,375— 8.5%	$ 34,996— 8.2%	$ 36,945— 8.2%	$ 38,338— 7.3%
197,944— 21.7%	236,552— 17.7%	276,680— 15.3%	291,567— 12.8%	454,356— 12.1%
$ 228,547— 18.4%	$ 269,927— 15.6%	$ 311,676— 13.9%	$ 328,512— 12.0%	$ 492,694— 11.5%
3.8 times	4.6 times	5.2 times	6.1 times	6.5 times
sq. ft.	sq. ft.	sq. ft.	sq. ft.	sq. ft.
302 $1,069.42	351 $1,075.35	390 $1,045.25	454 $1,031.50	463 $1,149.76
7,666 119.01	8,865 152.09	10,019 182.05	10,892 206.49	16,860 231.38
7,968 155.06	9,216 187.28	10,409 214.39	11,346 239.47	17,323 255.91
$10.86	$11.70	$12.23	$12.18	$13.76
4.61	5.65	6.53	7.81	8.24
$0.120	$0.180	$0.300	$0.410	$0.500
21,531— 53.5%	25,910— 54.3%	27,794— 54.1%	30,547— 55.6%	34,712— 56.1%
18,690— 46.5%	21,786— 45.7%	23,613— 45.9%	24,413— 44.4%	27,196— 43.9%
40,221—100.0%	47,696—100.0%	51,407—100.0%	54,960—100.0%	61,908—100.0%
$8.26	$8.19	$8.32	$8.19	$8.52
86 hours	89 hours	87 hours	88 hours	86 hours
46 hours	46 hours	46 hours	46 hours	47 hours
77 hours	83 hours	94 hours	95 hours	105 hours

Rental expenditure declined from 5.9% of sales in the lowest sales category to 2.2% in the highest. This trend suggests that rental expense is relatively fixed in nature. Dollarwise, the average rental expenditure moved upward from over $20,000 to almost $92,000 as sales increased. For a more detailed analysis of rental expense, the section entitled "Rent Review" that appears on pages 32 and 33 may be a helpful reference.

Inventory Control

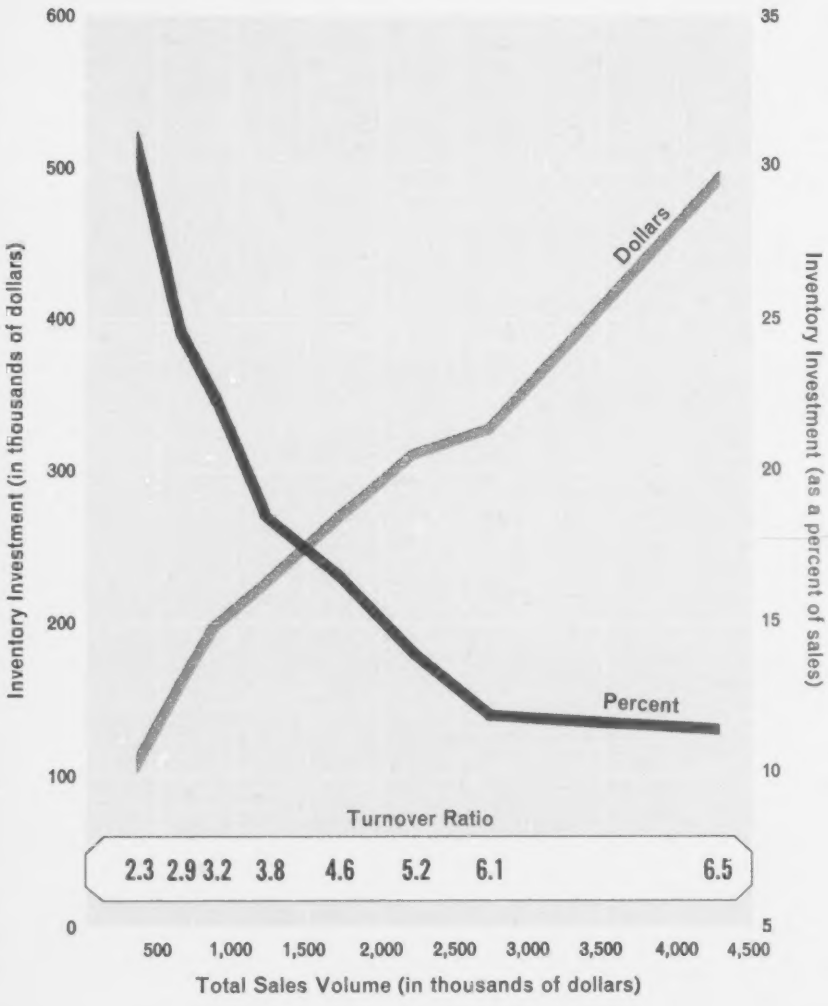
Managerial skill is measured not only by the ability to maximize sales but also by effective utilization of pharmacy assets to obtain the greatest return on investment. Inventory usually represents the largest dollar asset and is directly affected by daily management decisions. The relationship between inventory and sales volume is illustrated in Chart 2. As sales rise, inventory dollars increase (from about $107,000 in the lowest sales group to over $492,000 in the highest) although, percentagewise, inventory investment declines from 30.6% to 11.5% of sales. Generally, the downward movement of inventory as a percent of sales reflects greater efficiencies and productivity. Inventory turnover and net profit per dollar of inventory investment increase as sales volume expands, and both indices peak with sales over $3,000,000. Overall, inventory turnover ranged from 2.3 times in stores with the lowest volume to 6.5 times in units with the highest. Net profit per dollar of inventory moved from a loss in pharmacies with sales under $500,000 to 50 cents in the largest units.

Changes in accounting procedures for inventory valuation were not taken into consideration in this report; nevertheless, the reported trends should be representative of current practices.

CHART

2

Inventory investment according to sales volume



Prescription Department Review

Chain pharmacies participating in the NACDS-LILLY DIGEST reported a larger average of prescriptions dispensed during 1981 in comparison with the previous year's number (Chart 3). This increase in prescription activity reversed a downward trend that had been evident for two years. Since the highest level of prescription activity was accompanied by a higher average prescription charge, the total prescription revenue amounted to a rise of 16% in dollars over the 1980 figure. As a share of total sales, prescription income rose 0.3% to 20%. This was the first time in DIGEST experience that prescription sales amounted to one-fifth of the total income in the average NACDS-LILLY DIGEST unit. The average prescription charge can be influenced by changes in the product mix, the number of doses dispensed, higher merchandise costs, and greater dispensing costs; consequently, it is inaccurate to cite a rising "average prescription charge" as evidence of higher prescription prices.

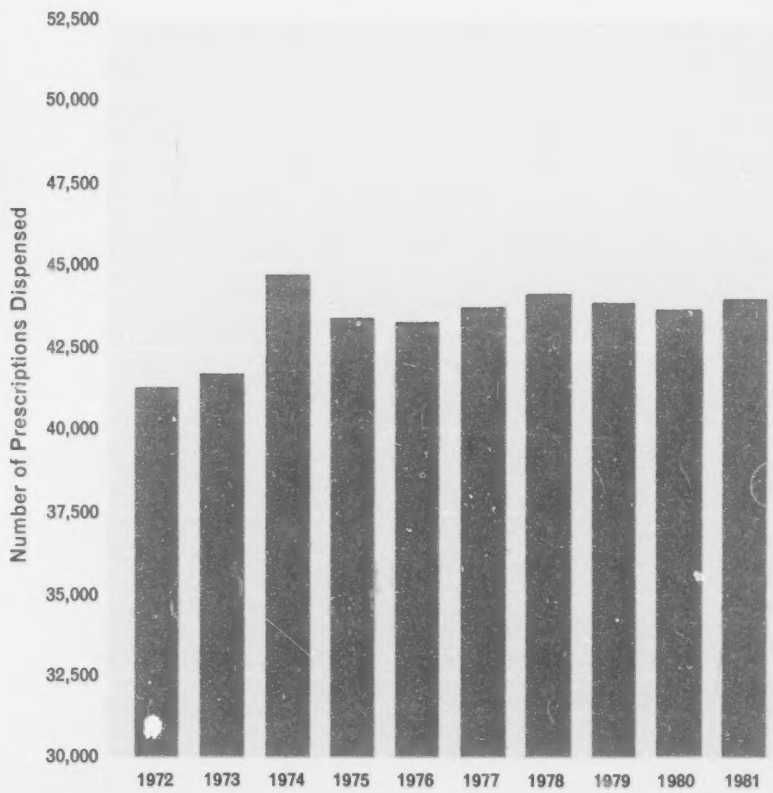
The impact of daily prescription activity on operating statistics is shown in Tables 3 and 4, and the relationship of daily prescription activity, annual sales volume, and employed pharmacist hours is presented in Chart 4 and Table 3. The larger-volume operations dispense more prescriptions and, as expected, report a larger number of employed pharmacist hours. Such units were able to generate almost seven times as many prescriptions with about 60% more pharmacist hours as compared with stores in the lowest sales category. Their notable productivity may be achieved by the increased use of technicians and/or mechanical aids in the prescription area to deal with the more routine tasks. This also may partially explain the uptrend in the number of prescriptions dispensed per employed pharmacist hour worked as volume rises.

The relationship between various operating statistics and daily prescription activity is presented in Chart 5 and Table 3. Since a direct correlation exists between sales volume and daily prescription activity, the overall operating trends are similar to those in Chart 1 on page 7. In general, as prescription activity increases, total expenses decline faster as a percent of sales than does gross margin, and this results in a higher net profit for stores with greater prescription demand. As Table 3 indicates, when prescription sales increase, the average prescription charge tends to exhibit a downward trend.

The dollar investment in prescription inventory is greater for units dispensing over 200 prescriptions daily ($49,406) than for those filling fewer than 50

CHART 3

Total number of prescriptions dispensed



prescriptions per day ($19,764). If prescription inventory investment is expressed as a percent of sales, the lowest sales group reported a stock investment of 18.2% as compared with 6.9% in the highest. Another, and perhaps more meaningful, measure of prescription inventory utilization and productivity is evident when prescription sales per dollar of prescription inventory are examined. The trends for these two indices show (Chart 5 and Table 3) a greater sales dollar return with growing prescription activity per day. Prescription sales per dollar invested in inventory advance from $5.51 to $14.42 as demand increases.

Table 4 separates chain outlets according to prescription revenue as a percent of sales. In contrast to Table 3, as the ratio of prescription revenue to total income increases, total sales and square footage decline. Pharmacies with a substantial proportion of prescription business also generate, percentagewise, a larger gross margin, higher total expenses, and, generally, a greater net profit. Although total expenses are higher, they usually do not rise as rapidly as does gross margin, which means a larger net profit for prescription-oriented units. The increase in total expenses as prescription income improves is accompanied by a larger total wage package as a percent of sales; this trend indicates a reliance on professional personnel needed to handle expanded prescription activity.

The average prescription charge varies among stores whose prescription revenue is less than 50% of sales but tends to become higher when prescription income grows as a percent of sales. The total number of hours the pharmacy was open per week and the hours worked by employed pharmacists were lowest in units with the highest prescription volume.

An interesting aspect of pharmacist productivity is found when the data in Table 3 are used to determine the number of prescriptions dispensed per employed pharmacist hour with expanding prescription activity. To calculate this ratio, it is assumed that as the prescription workload becomes heavier, the amount of time the manager spends in the prescription area also increases. Prescriptions dispensed per employed pharmacist hour climbed sharply—from 3 in pharmacies with the lowest prescription income to 13 in operations reporting the highest prescription sales. The ratio was quite similar in most sales categories when compared with the 1980 figures.

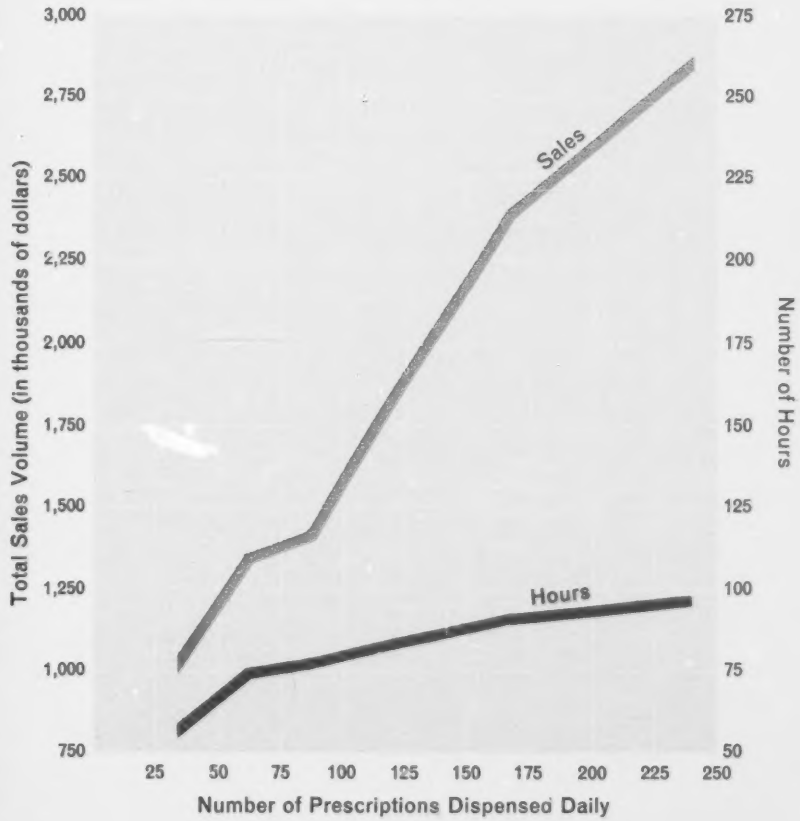


CHART 4

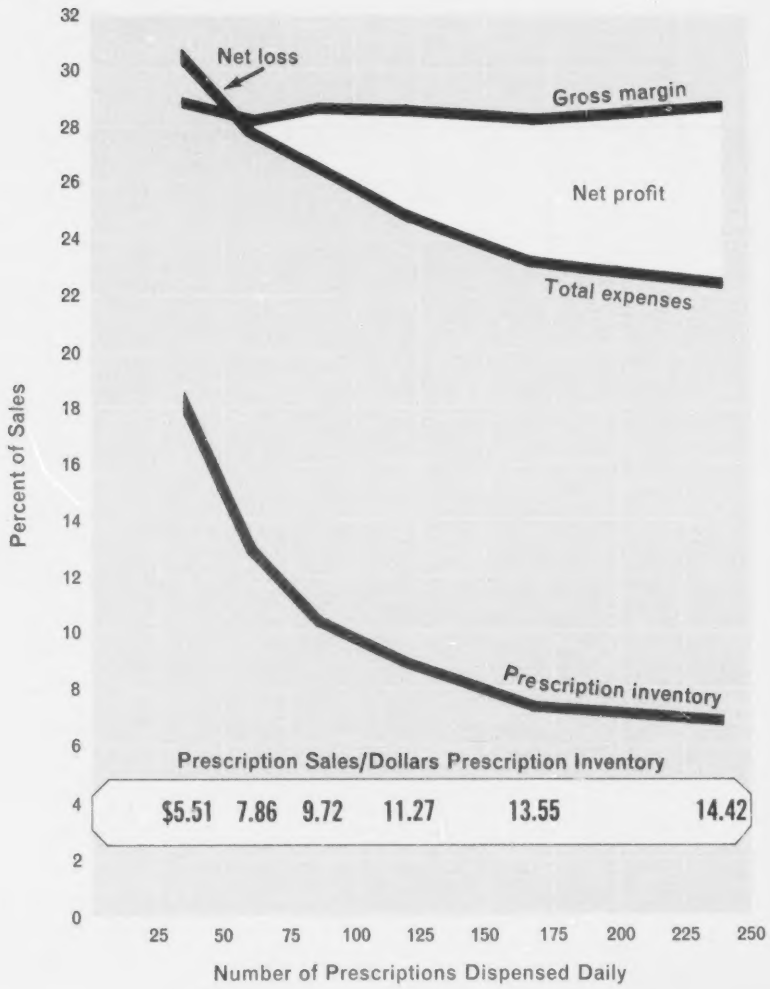
Total sales volume and employed pharmacist hours according to daily prescription activity

TABLE 3 Chain operations according to number of prescriptions dispensed daily

AVERAGES PER PHARMACY	Under 50 Prescriptions Daily (113 Pharmacies)	50 to 75 Prescriptions Daily (216 Pharmacies)	75 to 100 Prescriptions Daily (288 Pharmacies)	100 to 150 Prescriptions Daily (539 Pharmacies)
Sales				
Prescription	$ 108,815— 10.8%	$ 193,667— 14.5%	$ 264,163— 18.8%	$ 371,396— 20.3%
Other	899,492— 89.2%	1,137,641— 85.5%	1,139,508— 81.2%	1,460,864— 79.7%
Total	$1,008,307—100.0%	$1,331,308—100.0%	$1,403,671—100.0%	$1,832,260—100.0%
Cost of goods sold	717,800— 71.2%	956,017— 71.8%	1,002,317— 71.4%	1,310,456— 71.5%
Gross margin	$ 290,507— 28.8%	$ 375,291— 28.2%	$ 401,354— 28.6%	$ 521,804— 28.5%
Expenses				
Manager's salary	$ 24,648— 2.4%	$ 26,526— 2.0%	$ 26,651— 1.9%	$ 27,703— 1.5%
Employees' wages	110,809— 11.0%	136,881— 10.3%	141,501— 10.1%	176,862— 9.7%
Rent	40,817— 4.0%	41,966— 3.2%	38,716— 2.8%	43,800— 2.4%
Utilities (including telephone)	15,208— 1.5%	18,637— 1.4%	19,653— 1.4%	23,039— 1.2%
Insurance, licenses, and taxes (except on profit)	25,117— 2.5%	30,075— 2.3%	28,257— 2.0%	33,489— 1.8%
Repairs	5,401— 0.5%	6,335— 0.5%	6,412— 0.5%	7,436— 0.4%
Advertising	20,499— 2.1%	26,759— 2.0%	25,644— 1.8%	31,460— 1.7%
Depreciation (except on buildings)	9,754— 1.0%	10,111— 0.7%	8,708— 0.6%	10,517— 0.6%
Supplies	6,688— 0.7%	7,165— 0.5%	7,764— 0.5%	10,191— 0.6%
Headquarters fee	27,466— 2.7%	40,271— 3.0%	42,606— 3.0%	56,281— 3.0%
All other direct store expenses	20,181— 2.0%	23,604— 1.8%	26,014— 1.9%	32,508— 1.8%
	13.0%	12.2%	11.7%	11.1%
Total expenses	$ 306,588— 30.4%	$ 368,330— 27.7%	$ 371,926— 26.5%	$ 453,286— 24.7%
Net profit (before taxes)	($ 16,081— 1.6%)	$ 6,961— 0.5%	$ 29,428— 2.1%	$ 68,518— 3.8%
Value of inventory at cost and as a percent of sales				
Prescription	$ 19,764— 18.2%	$ 24,648— 12.7%	$ 27,169— 10.3%	$ 32,958— 8.9%
Other	173,606— 19.3%	211,377— 18.6%	212,304— 18.6%	244,195— 16.7%
Total	$ 193,370— 19.2%	$ 236,025— 17.7%	$ 239,473— 17.1%	$ 277,153— 15.1%
Annual rate of turnover of inventory	3.8 times	4.1 times	4.3 times	4.8 times
Size of area and sales per square foot*	sq. ft.	sq. ft.	sq. ft.	sq. ft.
Prescription	319 $341.53	332 $587.13	330 $807.24	348 $1,071.55
Other	7,131 124.14	9,022 121.57	8,131 133.26	9,137 154.59
Total	7,450 139.04	9,354 151.43	8,461 180.30	9,485 228.33
Sales per dollar invested in inventory				
Prescription	$5.51	$7.86	$9.72	$11.27
Other	5.18	5.38	5.37	5.98
Net profit per dollar invested in inventory	($0.083)	$0.029	$0.123	$0.247
Number of prescriptions dispensed				
New	7,183— 56.6%	12,548— 55.0%	17,127— 54.2%	24,015— 54.2%
Renewed	5,509— 43.4%	10,262— 45.0%	14,460— 45.8%	20,315— 45.8%
Total	12,692—100.0%	22,810—100.0%	31,587—100.0%	44,330—100.0%
Prescription charge	$8.57	$8.49	$8.36	$8.38
Number of hours per week				
Pharmacy was open	78 hours	81 hours	84 hours	88 hours
Worked by manager	47 hours	47 hours	46 hours	47 hours
Worked by employed pharmacist(s)	57 hours	74 hours	77 hours	83 hours

*Based on averages of pharmacies that reported all data

150 to 200 Prescriptions Daily (299 Pharmacies)		Over 200 Prescriptions Daily (146 Pharmacies)	
$ 505,192—	21.2%	$ 712,409—	25.1%
1,877,135—	78.8%	2,128,577—	74.9%
$2,382,327—	100.0%	$2,840,986—	100.0%
1,709,610—	71.8%	2,024,741—	71.3%
$ 672,717—	28.2%	$ 816,245—	28.7%
$ 29,434—	1.2%	$ 30,887—	1.1%
217,715—	9.1%	253,199—	8.9%
55,645—	2.3%	61,652—	2.2%
26,679—	1.1%	24,797—	0.9%
39,025—	1.6%	42,978—	1.5%
9,277—	0.4%	10,183—	0.3%
38,098—	1.6%	45,196—	1.6%
14,114—	0.6%	14,279—	0.5%
14,226—	0.6%	17,069—	0.6%
71,447—	3.0%	94,359—	3.3%
39,826—	1.7%	43,019—	1.5%
	10.6%		10.2%
$ 555,486—	23.2%	$ 637,618—	22.4%
$ 117,231—	5.0%	$ 178,627—	6.3%
$ 37,283—	7.4%	$ 49,406—	6.9%
285,439—	15.2%	311,190—	14.6%
$ 322,722—	13.5%	$ 360,596—	12.7%
	5.4 times		5.7 times
sq. ft.		sq. ft.	
375	$1,368.78	416	$1,746.03
10,572	184.72	9,651	248.29
10,947	285.39	10,067	443.03
	$13.55		$14.42
	6.58		6.84
	$0.363		$0.495
33,373—	54.6%	46,721—	53.3%
27,781—	45.4%	41,007—	46.7%
61,154—	100.0%	87,728—	100.0%
	$8.26		$8.12
	90 hours		89 hours
	hours		45 hours
	90 hours		96 hours



CHART

5

Selected operating statistics according to daily prescription activity

TABLE 4 Chain operations according to prescription revenue

AVERAGES PER PHARMACY	Prescription Income under 10% of Sales (136 Pharmacies)		Prescription Income 10 to 20% of Sales (531 Pharmacies)	
Sales				
Prescription	$ 234,215—	7.4%	$ 331,800—	14.7%
Other	2,911,791—	92.6%	1,928,574—	85.3%
Total	$3,146,006—	100.0%	$2,260,374—	100.0%
Cost of goods sold	2,312,086—	73.5%	1,651,993—	73.1%
Gross margin	$ 833,920—	26.5%	$ 608,381—	26.9%
Expenses				
Manager's salary	$ 32,543—	1.0%	$ 28,115—	1.2%
Employees' wages	281,463—	8.9%	214,803—	9.5%
Rent	86,104—	2.7%	56,156—	2.5%
Utilities (including telephone)	32,432—	1.0%	25,996—	1.2%
Insurance, licenses, and taxes (except on profit)	59,972—	1.9%	41,220—	1.8%
Repairs	12,251—	0.4%	8,238—	0.4%
Advertising	56,132—	1.8%	34,965—	1.5%
Depreciation (except on buildings)	22,511—	0.7%	14,295—	0.6%
Supplies	15,052—	0.5%	12,569—	0.6%
Headquarters fee	65,682—	2.1%	55,655—	2.5%
All other direct store expenses	43,182—	1.4%	34,889—	1.5%
		9.8%		10.1%
Total expenses	$ 707,324—	22.4%	$ 526,901—	23.3%
Net profit (before taxes)	$ 126,596—	4.1%	$ 81,480—	3.6%
Value of inventory at cost and as a percent of sales				
Prescription	$ 25,464—	10.9%	$ 30,570—	9.2%
Other	386,584—	13.3%	270,051—	14.0%
Total	$ 412,048—	13.1%	$ 300,621—	13.3%
Annual rate of turnover of inventory	5.7 times		5.6 times	
Size of area and sales per square foot*	sq. ft.		sq. ft.	
Prescription	438	$543.60	374	$859.05
Other	15,778	189.09	9,992	186.37
Total	16,216	198.66	10,366	210.61
Sales per dollar invested in inventory				
Prescription		$9.20		$10.85
Other		7.53		7.14
Net profit per dollar invested in inventory		$0.307		$0.271
Number of prescriptions dispensed				
New	15,447—	57.3%	22,536—	55.8%
Renewed	11,506—	42.7%	17,874—	44.2%
Total	26,953—	100.0%	40,410—	100.0%
Prescription charge		$8.69		$8.21
Number of hours per week				
Pharmacy was open		83 hours		84 hours
Worked by manager		48 hours		46 hours
Worked by employed pharmacist(s)		93 hours		84 hours

*Based on averages of pharmacies that reported all data

Prescription Income 20 to 30% of Sales (535 Pharmacies)	Prescription Income 30 to 40% of Sales (305 Pharmacies)	Prescription Income 40 to 50% of Sales (69 Pharmacies)	Prescription Income over 50% of Sales (25 Pharmacies)
$ 368,002— 24.7%	$ 433,630— 33.7%	$ 512,690— 42.9%	$516,023— 67.8%
1,124,765— 75.3%	852,226— 66.3%	682,830— 57.1%	244,916— 32.2%
$1,492,767—100.0%	$1,285,856—100.0%	$1,195,520—100.0%	$760,939—100.0%
1,046,861— 70.1%	882,062— 68.6%	810,146— 67.8%	509,937— 67.0%
$ 445,906— 29.9%	$ 403,794— 31.4%	$ 385,374— 32.2%	$251,002— 33.0%
$ 26,428— 1.8%	$ 27,697— 2.2%	$ 27,396— 2.3%	$ 24,031— 3.2%
148,240— 9.9%	125,514— 9.8%	117,742— 9.8%	87,154— 11.5%
37,565— 2.5%	32,031— 2.5%	29,844— 2.5%	24,777— 3.3%
19,973— 1.3%	16,977— 1.3%	16,057— 1.3%	9,347— 1.2%
26,749— 1.8%	23,615— 1.8%	21,988— 1.8%	15,685— 2.1%
7,041— 0.5%	6,059— 0.5%	5,628— 0.5%	1,996— 0.3%
27,795— 1.9%	24,848— 1.9%	22,661— 1.9%	8,609— 1.1%
8,559— 0.6% 12.5%	6,435— 0.5% 12.9%	6,244— 0.5% 13.5%	5,720— 0.7% 12.5%
8,747— 0.6%	8,596— 0.7%	8,235— 0.7%	7,488— 1.0%
55,576— 3.7%	56,105— 4.4%	53,196— 4.5%	21,825— 2.9%
30,791— 2.1%	23,615— 1.8%	27,357— 2.3%	24,782— 3.2%
$ 397,464— 26.7%	$ 351,492— 27.4%	$ 336,348— 28.1%	$231,414— 30.5%
$ 48,442— 3.2%	$ 52,302— 4.0%	$ 49,026— 4.1%	$ 19,588— 2.5%
$ 32,050— 8.7%	$ 35,014— 8.1%	$ 39,398— 7.7%	$ 50,676— 9.8%
224,155— 19.9%	192,730— 22.6%	177,981— 26.1%	74,444— 30.4%
$ 256,205— 17.2%	$ 227,744— 17.7%	$ 217,379— 18.2%	$125,120— 16.4%
4.1 times	3.9 times	3.7 times	4.2 times
sq. ft.	sq. ft.	sq. ft.	sq. ft.
328 $1,085.87	304 $1,343.18	282 $1,707.27	488 $1,057.34
8,066 135.07	7,114 112.58	6,544 98.29	3,443 71.14
8,394 172.17	7,418 163.01	6,826 164.73	3,931 193.58
$11.48	$12.38	$13.01	$10.18
5.02	4.42	3.84	3.29
$0.189	$0.230	$0.226	$0.157
24,317— 54.7%	27,505— 52.6%	29,157— 49.2%	28,843— 48.3%
20,126— 45.3%	24,834— 47.4%	30,124— 50.8%	30,822— 51.7%
44,443—100.0%	52,339—100.0%	59,281—100.0%	59,665—100.0%
$8.28	$8.29	$8.65	$8.65
88 hours	87 hours	84 hours	76 hours
46 hours	46 hours	47 hours	48 hours
82 hours	76 hours	70 hours	64 hours

Ten-Year Trends in Pharmacy Operations

Trends and changes in the average operating statistics of the chain drugstore industry are depicted in Charts 6 and 7 and Tables 5 and 6. By combining their knowledge of local market conditions and their observations of limitations and trends of past performance, pharmacy managers can project key operating statistics for a particular store in the future.

Sales, Expenses, Inventory Levels

During 1981, the annual sales volume of the typical NACDS-LILLY DIGEST pharmacy continued its upward trend for the sixth consecutive year (Chart 6). Total sales for 1981 established a new record—over $1.8 million. However, net profit took a significant downturn during 1981 and fell below the 4% level for the first time in DIGEST history. Although this figure has fluctuated in past years, the overall trend has been downward.

As a percent of sales, the cost of goods sold had its largest increase in one year since 1976, although it was still below the ten-year average of 71.8%. The lower level of gross margin and the higher level of total expenses, as percentages of sales, accounted for the decrease in net profit. Higher total expenses, up 0.4%, resulted since decreases in manager's salary and rent were more than offset by an increase in miscellaneous operating expenses.

CHART 6 Sales growth—1972-1981

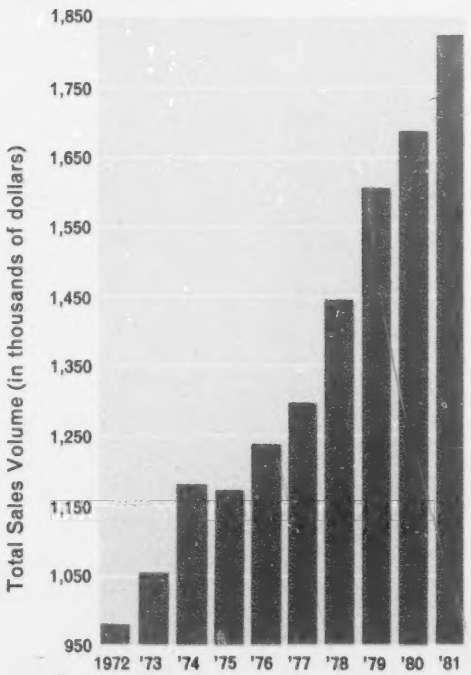
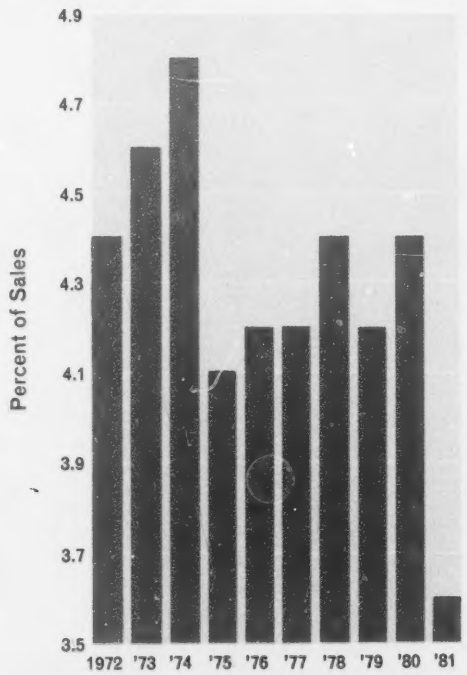


CHART 7 Net profit percentage—1972-1981



One area that again calls for additional management attention to cost control is miscellaneous operating expenses (all costs incurred except manager's salary, employees' wages, and rent). From 1977 through 1979, this expense appeared to stabilize. However, during the next two years it rose 1.3 percentage points and has had a significant impact on total expenses and net profit. Control of the relatively small individual costs comprised in miscellaneous operating expenses will help improve net profit for the operation.

Inventory investment as a percent of sales has not demonstrated any marked tendency and has behaved in a somewhat erratic manner—increasing 0.3% during 1981 to 15.1% of sales. This gain was largely due to front-end merchandise, which went up from 15.5% to 16.7% of sales (Table 6). Prescription inventory dropped from 9.4% of sales to 8.8% to reach an all-time low.

Table 6 shows trends in the prescription department and indicates an increase in the average number of prescriptions dispensed in the typical chain unit. Prescription sales were 16% higher than the 1980 volume owing to a 14.8% rise in the average prescription charge and a 1% increase in the number of prescriptions dispensed. The annual growth rate of the prescription department was dramatically greater than the 9.6% recorded

TABLE 5 Averages of pharmacy operations—1972-1981 (based on all pharmacies reporting)

EXPRESSED IN DOLLARS

Year	Sales	Cost of Goods Sold	Gross Margin	Manager's Salary	Employees' Wages	Rent	Miscellaneous Operating Expenses	Total Expenses	Net Profit	Inventory at Cost
1972	$ 979,285	$ 703,865	$275,420	$18,635	$ 99,248	$27,400	$ 86,984	$232,267	$43,153	$139,321
1973	1,057,680	759,102	298,578	19,373	103,024	30,244	97,382	250,023	48,555	154,338
1974	1,182,634	849,821	332,813	24,178	110,880	32,588	108,621	276,267	56,546	174,582
1975	1,173,318	842,774	330,544	24,367	114,412	32,504	110,946	282,229	48,315	164,487
1976	1,238,846	894,485	344,361	22,581	115,968	32,986	120,569	292,104	52,257	184,852
1977	1,295,213	929,644	365,569	22,789	124,534	34,769	129,484	311,576	53,993	195,234
1978	1,443,299	1,036,746	406,553	24,187	137,166	37,555	144,065	342,973	63,580	209,718
1979	1,606,756	1,156,667	450,089	26,515	151,781	43,224	161,010	382,530	67,559	227,115
1980	1,685,848	1,198,974	486,874	27,021	161,598	44,970	178,911	412,500	74,374	242,092
1981	1,824,139	1,305,059	519,080	27,753	175,036	46,268	203,674	452,731	66,349	275,033

EXPRESSED IN PERCENTAGE OF SALES

Year	Sales	Cost of Goods Sold	Gross Margin	Manager's Salary	Employees' Wages	Rent	Miscellaneous Operating Expenses	Total Expenses	Net Profit	Inventory at Cost
1972	100.0	71.9	28.1	1.9	10.1	2.8	8.9	23.7	4.4	14.2
1973	100.0	71.8	28.2	1.8	9.7	2.9	9.2	23.6	4.6	14.6
1974	100.0	71.9	28.1	2.0	9.4	2.8	9.1	23.3	4.8	14.8
1975	100.0	71.8	28.2	2.1	9.8	2.8	9.4	24.1	4.1	14.0
1976	100.0	72.2	27.8	1.8	9.4	2.7	9.7	23.6	4.2	14.9
1977	100.0	71.8	28.2	1.8	9.6	2.7	9.9	24.0	4.2	15.1
1978	100.0	71.8	28.2	1.7	9.5	2.6	10.0	23.8	4.4	14.5
1979	100.0	72.0	28.0	1.7	9.4	2.7	10.0	23.8	4.2	14.1
1980	100.0	71.1	28.9	1.6	9.6	2.7	10.6	24.5	4.4	14.4
1981	100.0	71.5	28.5	1.5	9.6	2.5	11.3	24.9	3.6	15.1

during 1980; the department's share of total sales also improved to 20% from 18.7% in 1980. New prescriptions reached a new high of 54.2% of all prescriptions filled—the largest share in DIGEST history. The productivity of prescription merchandise (sales per dollar of prescription inventory) also attained an all-time high of $11.37, for the first time breaking through the $11 level. Nonprescription stock productivity has been inconsistent over the period; however, during 1981, nonprescription sales per dollar of inventory declined to the lowest level in ten years and fell for the second consecutive year (down 44 cents, from $6.45 to $6.01).

The size of the average chain drugstore expanded by almost 5%, from 8,957 square feet to 9,386 square feet (Table 1). Sales productivity per square foot in the average store increased $5.37 over that reported in 1980 (from $183.03 to $188.40), a substantial improvement.

TABLE 6 Prescription trends—1972-1981

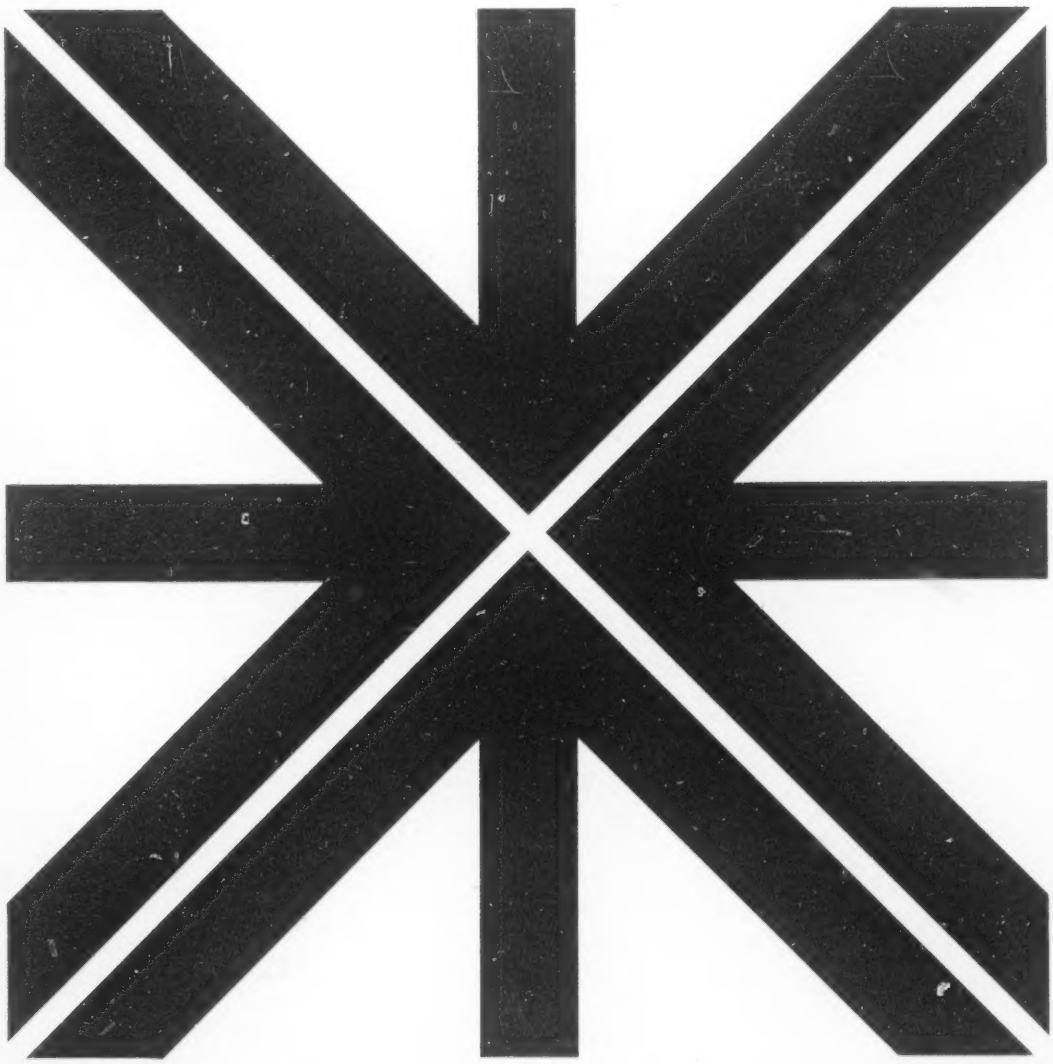
AVERAGES PER PHARMACY

Year	Prescription Sales	Percentage of Prescription Sales to Total Sales	Number of Prescriptions	Percent Renewals	Prescription Charge	Prescription Inventory	Prescription Sales per Dollar of Prescription Inventory	Non-prescription Sales per Dollar of Inventory	Non-prescription Inventory as Percent of Sales	Prescription Inventory as Percent of Sales
1972	$160,702	16.4%	41,344	49.1%	$3.89	$18,599	$ 8.64	$6.78	14.7%	11.6%
1973	170,629	16.1%	41,737	49.2%	4.09	18,871	9.04	6.55	15.3%	11.1%
1974	195,675	16.5%	44,783	48.6%	4.37	20,675	9.46	6.41	15.6%	10.6%
1975	207,382	17.7%	43,457	48.3%	4.77	21,737	9.54	6.77	14.8%	10.5%
1976	224,852	18.2%	43,305	48.6%	5.19	22,387	10.04	6.24	16.0%	10.0%
1977	244,558	18.9%	43,742	47.7%	5.59	24,133	10.13	6.14	16.3%	9.9%
1978	264,523	18.3%	44,144	46.9%	5.99	25,519	10.37	6.40	15.6%	9.6%
1979	287,744	17.9%	43,877	46.1%	6.56	27,491	10.47	6.61	15.1%	9.6%
1980	315,341	18.7%	43,578	46.9%	7.24	29,711	10.61	6.45	15.5%	9.4%
1981	365,680	20.0%	44,001	45.8%	8.31	32,172	11.37	6.01	16.7%	8.8%

H E A R T

The heart of the 1982 NACDS-LILLY DIGEST comprises 24 categories of chain pharmacy operating data arranged first by sales and then by daily prescription activity (Tables 7 through 9). These groups of operating statistics are structured to allow comparison with any pharmacy's figures.

A standard accounting format is used throughout the DIGEST, but adjustments may be necessary to permit proper comparisons with other accounting systems.



THE HEART OF THE NACDS-LILLY DIGEST—
1981 operations according to sales and prescription activity

Table 7 Sales under $1,000,000

	TOTAL SALES Under $500,000	
AVERAGES PER PHARMACY	(27 Pharmacies)	
Sales		
Prescription	$121,896	34.7%
Other	229,754	65.3%
Total	$351,650	100.0%
Cost of goods sold	243,469	69.2%
Gross margin	$108,181	30.8%
Expenses		
Manager's salary	$ 22,598	6.4%
Employees' wages	43,387	12.3%
Rent	20,693	5.9%
Utilities (including telephone)	6,321	1.8%
Insurance, licenses, and taxes (except on profit)	11,110	3.2%
Repairs	1,403	0.4%
Advertising	8,066	2.3%
Depreciation (except on buildings)	3,384	1.0%
Supplies	3,467	1.0%
Headquarters fee	5,756	1.6%
All other direct store expenses	13,726	3.9%
		15.2%
Total expenses	$139,911	39.8%
Net profit (before taxes)	($ 31,730	9.0%)
Value of inventory at cost and as a percent of sales		
Prescription	$ 22,470	18.4%
Other	84,988	37.0%
Total	$107,458	30.6%
Annual rate of turnover of inventory		2.3 times
Size of area and sales per square foot*	sq. ft.	
Prescription	318	$383.14
Other	3,773	60.90
Total	4,091	85.96
Sales per dollar invested in inventory		
Prescription		$5.42
Other		2.70
Net profit per dollar invested in inventory		($0.300)
Number of prescriptions dispensed		
New	8,395	55.9%
Renewed	6,636	44.1%
Total	15,031	100.0%
Prescription charge		$8.11
Number of hours per week		
Pharmacy was open		71 hours
Worked by proprietor		48 hours
Worked by employed pharmacist(s)		40 hours

*Based on averages of pharmacies that reported all data

TOTAL SALES $500,000 to $750,000	TOTAL SALES $750,000 to $1,000,000		
(71 Pharmacies)	Under 75 Prescriptions Daily (81 Pharmacies)	75 to 100 Prescriptions Daily (68 Pharmacies)	Over 100 Prescriptions Daily (56 Pharmacies)
$191,387— 29.0%	$175,005— 20.1%	$258,279— 29.1%	$362,730— 40.0%
468,551— 71.0%	696,186— 79.9%	630,652— 70.9%	544,444— 60.0%
$659,938—100.0%	$871,191—100.0%	$888,931—100.0%	$907,174—100.0%
461,333— 69.9%	612,168— 70.3%	615,680— 69.3%	620,689— 68.4%
$198,605— 30.1%	$259,023— 29.7%	$273,251— 30.7%	$286,485— 31.6%
$ 25,621— 3.9%	$ 22,733— 2.6%	$ 25,069— 2.8%	$ 25,656— 2.8%
76,913— 11.7%	103,292— 11.9%	99,281— 11.2%	100,095— 11.0%
23,818— 3.6%	28,692— 3.3%	24,401— 2.7%	23,955— 2.6%
11,420— 1.7%	14,111— 1.6%	16,322— 1.8%	14,570— 1.6%
17,135— 2.6%	22,613— 2.6%	19,652— 2.2%	19,568— 2.2%
2,942— 0.4%	4,175— 0.4%	4,768— 0.5%	4,688— 0.5%
13,449— 2.0%	16,513— 1.9%	17,364— 2.0%	16,508— 1.8%
5,611— 0.9%	6,014— 0.7%	5,415— 0.6%	4,423— 0.5%
5,316— 0.8%	5,744— 0.6%	6,202— 0.7%	7,272— 0.8%
22,858— 3.5%	28,033— 3.2%	33,964— 3.8%	31,571— 3.5%
14,638— 2.2%	15,444— 1.8%	18,297— 2.1%	22,112— 2.5%
14.1%	12.8%	13.7%	13.4%
$219,721— 33.3%	$267,364— 30.6%	$270,735— 30.4%	$270,418— 29.8%
($ 21,116— 3.2%)	($ 8,341— 0.9%)	$ 2,516— 0.3%	$ 16,067— 1.8%
$ 25,818— 13.5%	$ 22,794— 13.0%	$ 27,703— 10.7%	$ 32,056— 8.8%
136,006— 29.0%	170,664— 24.5%	182,677— 29.0%	155,669— 28.6%
$161,824— 24.5%	$193,458— 22.2%	$210,380— 23.7%	$187,725— 20.7%
2.9 times	3.2 times	3.0 times	3.3 times
sq. ft.	sq. ft.	sq. ft.	sq. ft.
317 $603.96	295 $593.32	309 $835.62	346 $1,054.22
5,321 88.06	7,278 95.56	7,283 86.70	6,114 88.41
5,638 117.06	7,573 114.98	7,592 117.23	6,460 140.20
$7.41	$7.68	$9.32	$11.32
3.45	4.08	3.45	3.50
($0.130)	($0.040)	$0.010	$0.090
11,322— 50.9%	11,261— 55.6%	16,610— 53.7%	21,312— 48.9%
10,929— 49.1%	9,009— 44.4%	14,343— 46.3%	22,240— 51.1%
22,251—100.0%	20,270—100.0%	30,953—100.0%	43,552—100.0%
$8.60	$8.63	$8.34	$8.33
81 hours	79 hours	84 hours	83 hours
47 hours	46 hours	47 hours	46 hours
55 hours	66 hours	66 hours	64 hours

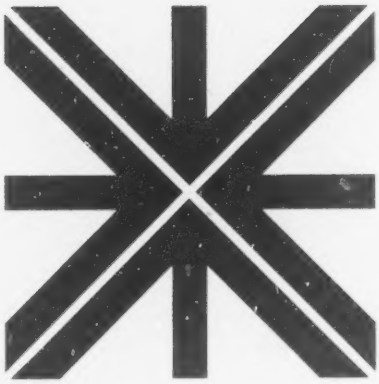


Table 8 Sales $1,000,000 to $2,000,000

AVERAGES PER PHARMACY	Under 50 Prescriptions Daily (27 Pharmacies)	50 to 75 Prescriptions Daily (67 Pharmacies)	75 to 100 Prescriptions Daily (114 Pharmacies)	100 to 150 Prescriptions Daily (218 Pharmacies)
	TOTAL SALES $1,000,000 to $1,500,000			
Sales				
Prescription	$ 120,914— 9.7%	$ 194,875— 15.7%	$ 269,533— 22.7%	$ 364,254— 29.3%
Other	1,131,333— 90.3%	1,044,283— 84.3%	915,952— 77.3%	876,880— 70.7%
Total	$1,252,247—100.0%	$1,239,158—100.0%	$1,185,485—100.0%	$1,241,134—100.0%
Cost of goods sold	894,176— 71.4%	888,605— 71.7%	835,749— 70.5%	856,795— 69.0%
Gross margin	$ 358,071— 28.6%	$ 350,553— 28.3%	$ 349,736— 29.5%	$ 384,339— 31.0%
Expenses				
Manager's salary	$ 26,569— 2.1%	$ 25,058— 2.0%	$ 24,482— 2.1%	$ 26,435— 2.1%
Employees' wages	136,072— 10.9%	134,143— 10.8%	124,410— 10.5%	127,379— 10.3%
Rent	45,953— 3.7%	40,318— 3.3%	31,716— 2.7%	31,149— 2.5%
Utilities (including telephone)	18,025— 1.4%	18,377— 1.5%	17,370— 1.5%	19,036— 1.5%
Insurance, licenses, and taxes (except on profit)	31,141— 2.5%	29,590— 2.4%	23,938— 2.0%	24,765— 2.0%
Repairs	8,790— 0.7%	6,546— 0.5%	5,718— 0.5%	6,317— 0.5%
Advertising	25,515— 2.0%	23,738— 1.9%	24,659— 2.1%	24,621— 2.0%
Depreciation (except on buildings)	11,776— 0.9%	8,481— 0.7%	6,502— 0.5%	5,864— 0.5%
Supplies	8,420— 0.7%	7,021— 0.6%	6,910— 0.6%	7,971— 0.6%
Headquarters fee	38,676— 3.1%	41,634— 3.3%	43,264— 3.6%	50,241— 4.1%
All other direct store expenses	25,350— 2.0%	25,825— 2.1%	22,961— 1.9%	25,771— 2.1%
	13.3%	13.0%	12.7%	13.3%
Total expenses	$ 376,287— 30.0%	$ 360,731— 29.1%	$ 331,930— 28.0%	$ 349,549— 28.2%
Net profit (before taxes)	($ 18,216— 1.4%)	($ 10,178— 0.8%)	$ 17,806— 1.5%	$ 34,790— 2.8%
Value of inventory at cost and as a percent of sales				
Prescription	$ 21,618— 17.9%	$ 23,614— 12.1%	$ 27,081— 10.0%	$ 32,142— 8.8%
Other	191,001— 16.9%	196,060— 18.8%	199,775— 21.8%	200,279— 22.8%
Total	$ 212,619— 17.0%	$ 219,674— 17.7%	$ 226,856— 19.1%	$ 232,421— 18.7%
Annual rate of turnover of inventory	4.2 times	4.1 times	3.7 times	3.7 times
Size of area and sales per square foot*	sq. ft.	sq. ft.	sq. ft.	sq. ft.
Prescription	321 $375.74	317 $619.59	314 $858.23	286 $1,274.40
Other	8,483 133.26	8,195 126.79	7,275 126.03	7,670 113.80
Total	8,804 142.09	8,512 145.17	7,589 156.37	7,956 155.50
Sales per dollar invested in inventory				
Prescription	$5.59	$8.25	$9.95	$11.33
Other	5.92	5.33	4.58	4.38
Net profit per dollar invested in inventory	($0.090)	($0.050)	$0.080	$0.150
Number of prescriptions dispensed				
New	7,698— 55.0%	12,924— 55.6%	17,489— 54.3%	23,761— 54.2%
Renewed	6,294— 45.0%	10,322— 44.4%	14,710— 45.7%	20,111— 45.8%
Total	13,992—100.0%	23,246—100.0%	32,199—100.0%	43,872—100.0%
Prescription charge	$8.64	$8.38	$8.37	$8.30
Number of hours per week				
Pharmacy was open	81 hours	83 hours	85 hours	89 hours
Worked by proprietor	47 hours	47 hours	46 hours	47 hours
Worked by employed pharmacist(s)	54 hours	77 hours	80 hours	80 hours

*Based on averages of pharmacies that reported all data

TOTAL SALES
$1,500,000 to $2,000,000

Over 150 Prescriptions Daily (84 Pharmacies)	Under 75 Prescriptions Daily (46 Pharmacies)	75 to 100 Prescriptions Daily (52 Pharmacies)	100 to 150 Prescriptions Daily (101 Pharmacies)	150 to 200 Prescriptions Daily (81 Pharmacies)	Over 200 Prescriptions Daily (34 Pharmacies)
$ 512,762— 38.4%	$ 162,033— 9.2%	$ 263,687— 15.5%	$ 371,365— 21.7%	$ 504,453— 29.1%	$ 678,684— 39.1%
821,059— 61.6%	1,605,348— 90.8%	1,436,903— 84.5%	1,343,172— 78.3%	1,231,845— 70.9%	1,056,785— 60.9%
$1,333,821—100.0%	$1,767,381—100.0%	$1,700,590—100.0%	$1,714,537—100.0%	$1,736,298—100.0%	$1,735,469—100.0%
905,020— 67.9%	1,283,689— 72.6%	1,228,129— 72.2%	1,223,702— 71.4%	1,207,317— 69.5%	1,178,460— 67.9%
$ 428,801— 32.1%	$ 483,692— 27.4%	$ 472,461— 27.8%	$ 490,835— 28.6%	$ 528,981— 30.5%	$ 557,009— 32.1%
$ 28,142— 2.1%	$ 29,203— 1.7%	$ 28,496— 1.7%	$ 26,795— 1.6%	$ 28,903— 1.7%	$ 29,709— 1.7%
126,365— 9.5%	167,397— 9.5%	170,851— 10.0%	174,588— 10.2%	162,709— 9.4%	155,706— 9.0%
33,738— 2.5%	64,066— 3.6%	48,505— 2.9%	42,760— 2.5%	45,004— 2.6%	45,865— 2.6%
16,837— 1.3%	23,979— 1.4%	22,156— 1.3%	22,284— 1.3%	21,532— 1.2%	18,112— 1.0%
22,661— 1.7%	31,177— 1.8%	32,349— 1.9%	31,242— 1.8%	31,219— 1.8%	28,732— 1.7%
6,337— 0.4%	9,413— 0.5%	7,722— 0.5%	7,472— 0.4%	8,835— 0.5%	7,043— 0.4%
25,229— 1.9%	33,115— 1.9%	28,984— 1.7%	32,344— 1.9%	34,122— 2.0%	33,566— 1.9%
7,005— 0.5%	16,469— 0.9%	12,021— 0.7%	10,447— 0.6%	10,213— 0.6%	9,929— 0.6%
8,979— 0.7%	8,307— 0.5%	9,045— 0.5%	9,423— 0.6%	10,338— 0.6%	10,809— 0.6%
59,928— 4.5%	49,418— 2.8%	48,213— 2.8%	62,347— 3.6%	73,918— 4.2%	84,724— 4.9%
25,518— 1.9%	29,135— 1.6%	34,279— 2.0%	34,953— 2.0%	30,524— 1.8%	29,223— 1.7%
12.9%	11.4%	11.4%	12.2%	12.7%	12.8%
$ 360,739— 27.0%	$ 461,679— 26.2%	$ 442,621— 26.0%	$ 454,655— 26.5%	$ 457,317— 26.4%	$ 453,418— 26.1%
$ 68,062— 5.1%	$ 22,013— 1.2%	$ 29,840— 1.8%	$ 36,100— 2.1%	$ 71,664— 4.1%	$ 103,591— 6.0%
$ 39,850— 7.8%	$ 22,787— 14.1%	$ 27,307— 10.4%	$ 34,021— 9.2%	$ 36,783— 7.3%	$ 46,943— 6.9%
193,138— 23.5%	254,847— 15.9%	227,607— 15.8%	234,441— 17.5%	236,957— 19.2%	230,789— 21.8%
$ 232,988— 17.5%	$ 277,634— 15.7%	$ 254,914— 15.0%	$ 268,462— 15.7%	$ 273,740— 15.8%	$ 277,732— 16.0%
3.9 times	4.8 times	4.9 times	4.6 times	4.4 times	4.2 times
sq. ft.	sq. ft.	sq. ft.	sq. ft.	sq. ft.	sq. ft.
309 $1,669.41	386 $426.18	372 $720.89	357 $1,050.33	300 $1,701.58	369 $1,911.76
7,453 107.37	10,233 157.00	9,030 158.50	8,606 156.23	8,667 141.02	7,223 137.12
7,762 169.60	10,619 166.79	9,402 180.76	8,963 191.84	8,967 193.28	7,592 223.47
$12.87	$7.11	$9.66	$10.92	$13.71	$14.46
4.25	6.30	6.31	5.73	5.20	4.58
$0.290	$0.080	$0.120	$0.130	$0.260	$0.370
32,541— 51.2%	10,797— 54.5%	16,754— 53.1%	24,830— 55.1%	34,428— 55.5%	43,279— 51.7%
31,062— 48.8%	9,019— 45.5%	14,794— 46.9%	20,228— 44.9%	27,608— 44.5%	40,509— 48.3%
63,603—100.0%	19,816—100.0%	31,548—100.0%	45,058—100.0%	62,036—100.0%	83,788—100.0%
$8.06	$8.18	$8.36	$8.24	$8.13	$8.10
86 hours	80 hours	84 hours	92 hours	94 hours	86 hours
46 hours	47 hours	46 hours	46 hours	46 hours	44 hours
74 hours	71 hours	79 hours	88 hours	86 hours	81 hours

Table 9 Sales over $2,000,000

TOTAL SALES

$2,000,000 to $2,500,000

AVERAGES PER PHARMACY	Under 100 Prescriptions Daily (38 Pharmacies)	100 to 150 Prescriptions Daily (63 Pharmacies)	150 to 200 Prescriptions Daily (33 Pharmacies)	Over 200 Prescriptions Daily (31 Pharmacies)
Sales				
Prescription	$ 219,986— 9.9%	$ 383,041— 17.1%	$ 498,603— 22.3%	$ 698,436— 31.2%
Other	1,991,457— 90.1%	1,862,340— 82.9%	1,740,010— 77.7%	1,537,582— 68.8%
Total	$2,211,443—100.0%	$2,245,381—100.0%	$2,238,613—100.0%	$2,236,018—100.0%
Cost of goods sold	1,622,468— 73.4%	1,622,673— 72.3%	1,598,668— 71.4%	1,532,589— 68.5%
Gross margin	$ 588,975— 26.6%	$ 622,708— 27.7%	$ 639,945— 28.6%	$ 703,429— 31.5%
Expenses				
Manager's salary	$ 32,419— 1.5%	$ 29,205— 1.3%	$ 27,496— 1.2%	$ 29,235— 1.3%
Employees' wages	199,846— 9.0%	217,844— 9.7%	214,717— 9.6%	188,079— 8.4%
Rent	72,520— 3.3%	52,844— 2.4%	52,722— 2.4%	51,940— 2.3%
Utilities (including telephone)	29,752— 1.3%	26,053— 1.2%	28,712— 1.3%	20,878— 0.9%
Insurance, licenses, and taxes (except on profit)	40,998— 1.9%	35,356— 1.6%	34,432— 1.5%	32,857— 1.5%
Repairs	9,615— 0.4%	8,169— 0.4%	7,615— 0.3%	9,421— 0.4%
Advertising	38,261— 1.7%	34,992— 1.5%	37,290— 1.7%	46,703— 2.1%
Depreciation (except on buildings)	17,845— 0.8%	11,067— 0.4%	12,523— 0.6%	12,783— 0.6%
Supplies	11,779— 0.5%	11,594— 0.5%	13,409— 0.6%	14,094— 0.6%
Headquarters fee	51,971— 2.4%	52,319— 2.3%	77,063— 3.4%	112,652— 5.1%
All other direct store expenses	33,196— 1.5%	44,418— 2.0%	54,309— 2.4%	27,984— 1.3%
	10.5%	9.9%	11.8%	12.5%
Total expenses	$ 538,202— 24.3%	$ 523,861— 23.3%	$ 560,288— 25.0%	$ 546,626— 24.5%
Net profit (before taxes)	$ 50,773— 2.3%	$ 98,847— 4.4%	$ 79,657— 3.6%	$ 156,803— 7.0%
Value of inventory at cost and as a percent of sales				
Prescription	$ 26,131— 11.9%	$ 33,024— 8.6%	$ 36,947— 7.4%	$ 47,794— 6.8%
Other	280,254— 14.1%	268,274— 14.4%	295,132— 17.0%	269,741— 17.5%
Total	$ 306,385— 13.9%	$ 301,298— 13.4%	$ 332,079— 14.8%	$ 317,535— 14.2%
Annual rate of turnover of inventory	5.4 times	5.5 times	4.9 times	4.8 times
Size of area and sales per square foot*	sq. ft.	sq. ft.	sq. ft.	sq. ft.
Prescription	373 $578.21	407 $962.44	432 $1,172.32	284 $2,422.28
Other	11,530 173.88	9,410 195.63	10,577 163.22	7,920 197.22
Total	11,903 186.55	9,817 227.44	11,009 202.78	8,204 274.13
Sales per dollar invested in inventory				
Prescription	$8.42	$11.60	$13.50	$14.61
Other	7.11	6.94	5.90	5.70
Net profit per dollar invested in inventory	$0.170	$0.330	$0.240	$0.490
Number of prescriptions dispensed				
New	14,443— 55.0%	24,744— 54.8%	33,144— 55.1%	44,661— 52.2%
Renewed	11,837— 45.0%	20,444— 45.2%	26,963— 44.9%	40,924— 47.8%
Total	26,280—100.0%	45,188—100.0%	60,107—100.0%	85,585—100.0%
Prescription charge	$8.37	$8.48	$8.30	$8.16
Number of hours per week				
Pharmacy was open	80 hours	84 hours	90 hours	98 hours
Worked by proprietor	47 hours	46 hours	45 hours	45 hours
Worked by employed pharmacist(s)	95 hours	88 hours	104 hours	97 hours

*Based on averages of pharmacies that reported all data

TOTAL SALES $2,500,000 to $3,000,000		TOTAL SALES Over $3,000,000		
Under 150 Prescriptions Daily (60 Pharmacies)	Over 150 Prescriptions Daily (59 Pharmacies)	Under 150 Prescriptions Daily (74 Pharmacies)	150 to 200 Prescriptions Daily (67 Pharmacies)	Over 200 Prescriptions Daily (49 Pharmacies)
$ 341,400— 12.5%	$ 560,510— 20.6%	$ 369,338— 8.9%	$ 535,276— 12.6%	$ 755,937— 16.8%
2,388,721— 87.5%	2,165,266— 79.4%	3,765,939— 91.1%	3,726,163— 87.4%	3,740,163— 83.2%
$2,730,121—100.0%	$2,725,776—100.0%	$4,135,277—100.0%	$4,261,439—100.0%	$4,496,100—100.0%
2,006,210— 73.5%	1,958,804— 71.9%	3,030,957— 73.3%	3,161,153— 74.2%	3,297,107— 73.3%
$ 723,911— 26.5%	$ 766,972— 28.1%	$1,104,320— 26.7%	$1,100,286— 25.8%	$1,198,993— 26.7%
$ 29,968— 1.1%	$ 28,608— 1.0%	$ 34,428— 0.8%	$ 32,413— 0.8%	$ 35,365— 0.8%
250,494— 9.2%	254,569— 9.3%	353,907— 8.6%	367,247— 8.6%	405,707— 9.0%
61,869— 2.3%	62,726— 2.3%	96,438— 2.3%	90,414— 2.1%	87,409— 1.9%
30,094— 1.1%	29,576— 1.1%	39,218— 1.0%	40,407— 1.0%	34,992— 0.8%
51,600— 1.9%	42,495— 1.6%	77,537— 1.9%	65,833— 1.6%	68,615— 1.5%
7,781— 0.3%	9,071— 0.3%	13,917— 0.3%	14,650— 0.3%	14,362— 0.3%
37,260— 1.3%	32,357— 1.2%	70,700— 1.7%	64,167— 1.5%	61,658— 1.4%
20,175— 0.7%	15,610— 0.6%	26,645— 0.6%	27,112— 0.6%	19,869— 0.5%
14,839— 0.5%	17,835— 0.7%	16,522— 0.4%	23,246— 0.5%	25,434— 0.6%
53,887— 2.0%	80,200— 2.9%	96,071— 2.3%	83,989— 2.0%	96,222— 2.1%
41,138— 1.5%	51,256— 1.9%	48,259— 1.2%	52,083— 1.2%	66,402— 1.5%
9.3%	10.3%	9.4%	8.7%	8.7%
$ 599,105— 21.9%	$ 624,303— 22.9%	$ 873,642— 21.1%	$ 861,561— 20.2%	$ 916,035— 20.4%
$ 124,806— 4.6%	$ 142,669— 5.2%	$ 230,678— 5.6%	$ 238,725— 5.6%	$ 282,958— 6.3%
$ 34,189— 10.0%	$ 39,747— 7.1%	$ 29,990— 8.1%	$ 39,071— 7.3%	$ 49,940— 6.6%
292,708— 12.3%	290,408— 13.4%	466,903— 12.4%	446,222— 12.0%	446,533— 11.9%
$ 326,897— 12.0%	$ 330,155— 12.1%	$ 496,893— 12.0%	$ 485,293— 11.4%	$ 496,473— 11.0%
6.1 times	6.1 times	6.2 times	6.7 times	6.8 times
sq. ft.	sq. ft.	sq. ft.	sq. ft.	sq. ft.
462 $753.94	447 $1,277.33	477 $778.67	444 $1,222.35	467 $1,634.36
11,846 200.57	10,075 212.45	20,494 190.58	15,996 243.47	12,511 312.02
12,308 221.33	10,522 257.67	20,971 203.97	16,440 269.89	12,978 359.61
$9.99	$14.10	$12.32	$13.70	$15.14
8.16	7.46	8.07	8.35	8.38
$0.380	$0.430	$0.460	$0.490	$0.570
23,130— 56.4%	38,090— 55.1%	23,351— 56.4%	35,353— 56.3%	50,992— 55.6%
17,903— 43.6%	31,034— 44.9%	18,023— 43.6%	27,490— 43.7%	40,649— 44.4%
41,033—100.0%	69,124—100.0%	41,374—100.0%	62,843—100.0%	91,641—100.0%
$8.32	$8.11	$8.93	$8.52	$8.25
85 hours	89 hours	85 hours	86 hours	88 hours
47 hours	45 hours	48 hours	47 hours	46 hours
88 hours	100 hours	100 hours	104 hours	115 hours

Review by the Number of Units

TABLE 10

Operations according to number of units in the chain

AVERAGES PER PHARMACY	Under 11 Units (57 Pharmacies)	11 to 25 Units (101 Pharmacies)	26 to 50 Units (265 Pharmacies)	51 to 100 Units (101 Pharmacies)
Sales				
Prescription	$ 407,690— 26.9%	$ 304,480— 18.1%	$ 317,880— 19.7%	$ 377,394— 20.1%
Other	1,108,572— 73.1%	1,373,560— 81.9%	1,296,680— 80.3%	1,504,503— 79.9%
Total	$1,516,262—100.0%	$1,678,040—100.0%	$1,614,560—100.0%	$1,881,897—100.0%
Cost of goods sold	1,083,669— 71.5%	1,209,525— 72.1%	1,139,053— 70.5%	1,398,676— 74.3%
Gross margin	$ 432,593— 28.5%	$ 468,515— 27.9%	$ 475,507— 29.5%	$ 483,221— 25.7%
Expenses				
Manager's salary	$ 30,356— 2.0%	$ 26,178— 1.6%	$ 24,897— 1.5%	$ 22,631— 1.2%
Employees' wages	166,632— 11.0%	166,385— 9.9%	162,085— 10.0%	154,093— 8.2%
Rent	32,077— 2.1%	45,447— 2.7%	41,735— 2.6%	35,940— 1.9%
Utilities (including telephone)	14,327— 0.9%	19,068— 1.1%	19,626— 1.2%	23,043— 1.2%
Insurance, licenses, and taxes (except on profit)	27,516— 1.8%	25,868— 1.5%	29,829— 1.9%	28,124— 1.5%
Repairs	5,329— 0.4%	7,547— 0.5%	5,945— 0.4%	9,142— 0.5%
Advertising	28,853— 1.9%	24,895— 1.5%	29,635— 1.9%	35,038— 1.9%
Depreciation (except on bulidings)	9,128— 0.6%	13,800— 0.8%	9,760— 0.6%	13,524— 0.7%
Supplies	8,340— 0.6%	9,537— 0.6%	10,034— 0.6%	8,944— 0.5%
Headquarters fee	53,570— 3.5%	49,151— 2.9%	57,076— 3.5%	65,962— 3.5%
All other direct store expenses	35,046— 2.3%	26,775— 1.6%	41,735— 2.6%	21,285— 1.1%
	12.0%	10.5%	12.7%	10.9%
Total expenses	$ 411,174— 27.1%	$ 414,651— 24.7%	$ 432,357— 26.8%	$ 417,726— 22.2%
Net profit (before taxes)	$ 21,419— 1.4%	$ 53,864— 3.2%	$ 43,150— 2.7%	$ 65,495— 3.5%
Warehouse fee*	$ 22,059— 5.0%	$ 14,359— 6.4%	$ 16,347— 2.0%	$ 55,791— 3.2%
As a percent of cost of goods sold	6.9%	8.7%	2.8%	4.1%
Value of inventory at cost and as a percent of sales				
Prescription	$ 38,290— 9.4%	$ 27,713— 9.1%	$ 32,209— 10.1%	$ 32,333— 8.6%
Other	189,935— 17.1%	204,092— 14.9%	221,024— 17.0%	249,355— 16.6%
Total	$ 228,225— 15.1%	$ 231,805— 13.8%	$ 253,233— 15.7%	$ 281,688— 15.0%
Annual rate of turnover of inventory	4.9 times	5.5 times	4.6 times	5.1 times
Size of area and sales per square foot*	sq. ft.	sq. ft.	sq. ft.	sq. ft.
Prescription	457 $891.96	387 $786.25	431 $734.32	463 $815.49
Other	7,200 153.96	9,020 152.28	8,375 140.11	10,167 147.99
Total	7,657 198.01	9,407 178.38	8,806 169.18	10,629 177.05
Sales per dollar invested in inventory				
Prescription	$10.65	$10.99	$9.87	$11.67
Other	5.84	6.73	5.87	6.03
Net profit per dollar invested in inventory	$0.094	$0.232	$0.170	$0.233
Number of prescriptions dispensed				
New	23,787— 50.6%	18,469— 52.6%	19,275— 50.8%	23,915— 51.8%
Renewed	23,183— 49.4%	16,648— 47.4%	18,651— 49.2%	22,234— 48.2%
Total	46,970—100.0%	35,117—100.0%	37,926—100.0%	46,149—100.0%
Prescription charge	$8.68	$8.67	$8.38	$8.18
Number of hours per week				
Pharmacy was open	79 hours	81 hours	84 hours	89 hours
Worked by manager	46 hours	46 hours	47 hours	47 hours
Worked by employed pharmacist(s)	66 hours	66 hours	80 hours	94 hours

*Based on averages of pharmacies that reported all data

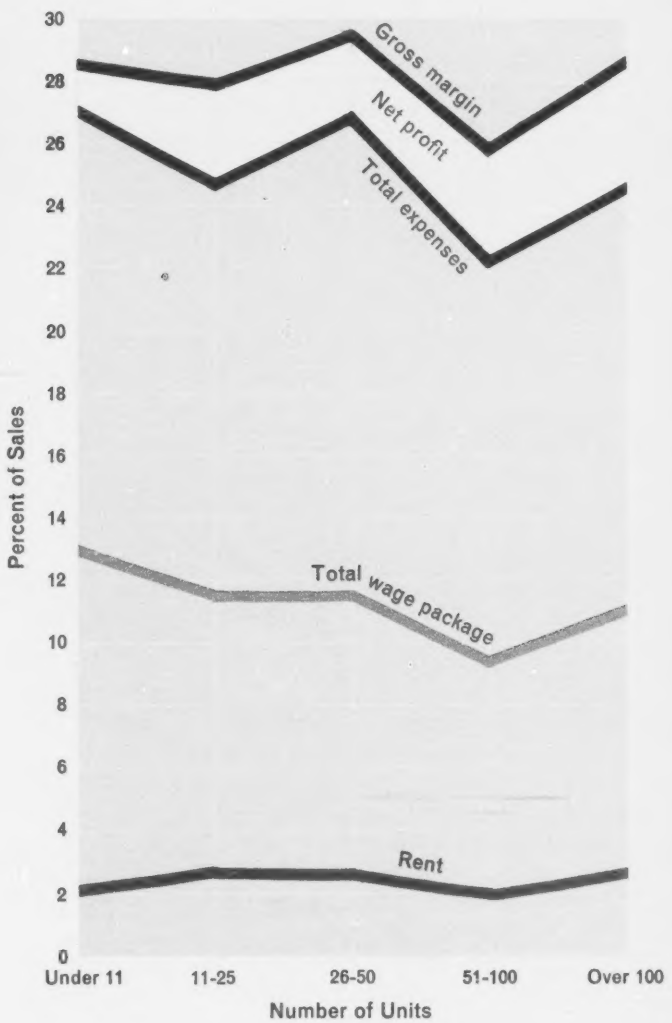
The size of a chain pharmacy organization may affect the operating figures of an individual unit. Chart 8 is a graphic presentation of statistics selected from Table 10 and arranged by the number of units in a chain. Close to 70% of the pharmacies reporting belong to chain organizations of more than 100 units (Table 10). The weight of this cell causes the resulting figures to approximate the overall averages seen in Table 1. The greatest profitability (4.0% of sales) was recorded by pharmacies in chains of more than 100 units; in those businesses, effective control of expenses appeared to be the major contributor to profit performance. The operating statistics of units belonging to chain organizations of various sizes are summarized in Table 10. The data show that the size of the chain organization by itself does not guarantee the lowest cost of goods sold or the lowest expenditures. Profitability is more likely to be determined by the effectiveness of the management practices in each chain operation.

Over 100 Units (1,077 Pharmacies)	
$ 379,858—	20.0%
1,520,427—	80.0%
$1,900,285—	100.0%
1,357,803—	71.5%
$ 542,482—	28.5%
$ 28,946—	1.5%
181,442—	9.5%
49,179—	2.6%
23,351—	1.2%
35,784—	1.9%
7,919—	0.4%
32,384—	1.7%
11,051—	0.6%
10,935—	0.6%
55,471—	2.9%
30,335—	1.6%
$ 466,797—	24.5%
$ 75,685—	4.0%
$ 23,169—	2.3%
	3.4%
$ 32,242—	8.5%
254,061—	16.7%
$ 286,303—	15.1%
	4.8 times
sq. ft.	
300	$1,200.51
9,216	162.83
9,516	195.59
	$11.78
	5.98
	$0.264
25,491—	55.5%
20,479—	44.5%
45,970—	100.0%
	$8.26
	88 hours
	46 hours
	84 hours

10.9%

CHART 8

Selected operating statistics according to number of units in the chain



Sources of Supply

The decision to support a central warehouse usually involves a long-term commitment by a chain organization. Establishment of a warehouse for purchasing, distribution, and control functions may not be based entirely on economic considerations. A comparison of operating statistics of chain drugstores supplied by a central warehouse with those of units that do not have access to one should be of interest.

Table 11 is separated into two parts. The operating statistics of chains that warehouse are depicted in color in the left-hand column of the table, and figures for nonwarehouse organizations are presented in the adjacent column. The "wholesaler" and "direct" tabulations include both warehousing and nonwarehousing stores. However, it is probable that these latter categories represent the purchasing mix of many nonwarehousing operations. Data were submitted to the NACDS-LILLY DIGEST by 358 units that used warehouse facilities for most purchases, whereas 405 pharmacies did not make any purchases from a central warehouse. The warehouse-oriented stores reported a lower cost of goods sold and, therefore, a higher gross margin than outlets that did not buy from a central warehouse.

The warehouse users and the nonwarehouse group reported, percentagewise, the same total expenses figure. The net result was that outlets uti-

TABLE 11

Chain operations according to sources of supply

AVERAGES PER PHARMACY	75% to 100% Ordered from Warehouse (358 Pharmacies)	0% Ordered from Warehouse (405 Pharmacies)
Prescription sales	$ 367,804— 22.1%	$ 370,369— 22.8%
Total sales (including prescription sales)	$1,665,278—100.0%	$1,623,467—100.0%
Cost of goods sold	1,181,741— 71.0%	1,161,400— 71.5%
Gross margin	$ 483,537— 29.0%	$ 462,067— 28.5%
Total wage package	$ 204,198— 12.3%	$ 191,255— 11.8%
Headquarters fee	40,804— 2.5%	45,195— 2.8%
Total expenses (including total wage package)	433,115— 26.0%	421,219— 26.0%
Net profit	$ 50,422— 3.0%	$ 40,848— 2.5%
Total number of prescriptions dispensed	44,267	43,967
Value of inventory at cost and as a percent of sales		
Prescription	$ 33,750— 9.2%	$ 31,133— 8.4%
Other	205,306— 15.8%	259,895— 20.7%
Total	$ 239,056— 14.4%	$ 291,028— 17.9%
Annual rate of turnover of inventory	5.0 times	4.0 times
Sales per dollar invested in inventory		
Prescription	$10.90	$11.90
Other	6.32	4.82
Total floor area*	8,687 sq. ft.	8,882 sq. ft.
Sales per square foot	$155.64	$182.79
Number of hours pharmacy was open per week	93 hours	90 hours

*Based on averages of pharmacies that reported all data

lizing a central warehouse facility posted a higher net profit than did those who were not warehouse users.

Inventory was substantially lower as a percent of sales in the average chain store that purchased the bulk of its goods from a warehouse; therefore, the inventory turnover rate was higher. The sales productivity of each dollar invested in "other" inventory was higher for the warehouse operations, but, interestingly, sales productivity per dollar of prescription inventory was lower than in nonwarehouse pharmacies.

It should be pointed out that successful chain organizations can be found in both groups, and the decision regarding whether to support a central warehouse must be based on short and long-term requirements and goals for the respective units.

The two right-hand columns imply a purchasing mix that could be utilized by nonwarehousing chains. The stores comprised in these two right-hand columns also include many operations with warehouse facilities.

The chain units purchasing primarily through a wholesaler reported a higher cost of goods sold and, consequently, a lower gross margin, percentagewise, than any other category shown. Total expenses for wholesaler-oriented stores, however, were lower, with the result that their net profit was greater than that in the other tabulations. The outlets that purchased up to half their needs directly from a supplier seem to complement both the warehousing and wholesaler categories.

Table 11 is a summary of operating statistics submitted by NACDS-LILLY DIGEST participants, and no endorsement of any particular system is intended. Certainly, successful chains can be found in each category, which suggests that purchasing patterns vary with corporate philosophy and objectives.

25% to 75% Purchased from Wholesaler (695 Pharmacies)	1% to 50% Purchased Direct (1,344 Pharmacies)
$ 350,316— 19.7%	$ 367,678— 20.9%
$1,776,537—100.0%	$1,758,044—100.0%
1,273,056— 71.7%	1,255,058— 71.4%
$ 503,481— 28.3%	$ 502,986— 28.6%
$ 199,339— 11.2%	$ 198,961— 11.3%
48,852— 2.7%	58,626— 3.3%
442,195— 24.9%	449,436— 25.6%
$ 61,286— 3.4%	$ 53,550— 3.0%
41,248	44,449
$ 30,990— 8.8%	$ 32,430— 8.8%
251,128— 17.6%	240,781— 17.3%
$ 282,118— 15.9%	$ 273,211— 15.5%
4.5 times	4.6 times
$11.30	$11.34
5.68	5.77
9,397 sq. ft.	9,414 sq. ft.
$189.05	$186.75
86 hours	86 hours

Rent Review

The distribution of rental expenditures for chain drugstores is presented in Chart 9. Among the units included in the NACDS-LILLY DIGEST for 1982, 79.5% reported a rental expense of less than 3.5% of sales, and almost 93% of the pharmacies paid a rental charge under 4.5% of total sales.

Table 12 was arranged so that chain managements could evaluate rent according to various unit characteristics. A realistic and reasonable comparison of rental data should be obtained by consideration of the different viewpoints.

Section A describes the general relationship between annual sales volume and floor area. As sales increase, so does the size of the unit in square feet. Rent per square foot tends to rise with additional floor space, but it is significant that productivity also improves, as demonstrated by the sales-per-square-foot ratios. Percentagewise, rent tends to decline as sales volume and pharmacy size increase.

Section B depicts rental expenditures expressed as a percentage of prescription volume to total sales. The average sales and size of the chain pharmacy both fall as the percentage of prescription volume rises. Sales per square foot and rent per square foot remain fairly constant except when the prescription revenue accounts for over 50% of total income. At that point, rent per square foot becomes more expensive. This may be attributed to locations in medical buildings, which characteristically charge more for space.

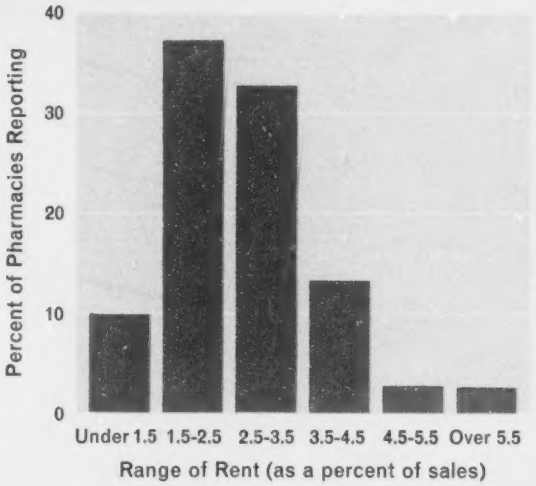
Section C shows the effect of prescription activity on rental expense. Since it has previously been pointed out that prescription activity and sales volume are positively related, the data found in this section can be expected to resemble the statistics in Section A.

Section D expresses rental information in terms of the number of units in the chain. No definitive correlations are observed in this section, and comparisons should, therefore, be made on an individual basis. It is interesting to note that the units belonging to chain organizations of over 100 stores reported the highest average sales and rent per square foot.

Section E illustrates how differences in geographic location account for variations found in average sales, size of the pharmacy, and rent. Rent, as a percent of sales, is lowest in the Pacific States and highest in the Mountain States. However, when rent per square foot is reviewed, the West South Central States report the largest figure. In comparison with 1980 data, the rental cost per square foot for stores located in six of the nine regions showed a reduction, in spite of an increase in the average size of units in five of the six locations.

CHART 9

Percent of pharmacies reporting various rent percentage ranges



Section F summarizes the various statistics according to floor size, and there appears to be a direct correlation between unit square footage and average sales.

Section G relates rental statistics to store age. As expected, newer pharmacies have a lower average sales volume than do established operations, since they probably have not yet attained their full sales potential. As anticipated, newer stores appear to pay higher rent both as a percent of sales and on a rent-per-square-footage basis than do older outlets. When compared with 1980 figures, the operations over two years of age show an increase in overall size. However, the average size of newer outlets (under two years old) is 8,891 square feet as compared with an average area of over 9,800 square feet for older operations, which indicates a trend toward smaller-sized units. It is important to note, however, that the tabulation includes chain units that did not report to the DIGEST in previous years.

TABLE 12

Rent correlated with various factors

		Average Sales	Size of Pharmacy* (Square Feet)	Sales per Square Foot*	Average Rent	Rent per Square Foot	Rent Percentage
A	**Annual Sales**						
	Under $500,000	$ 351,650	4,091	$ 85.96	$20,693	$5.06	5.9%
	$500,000 to $750,000	659,938	5,638	117.06	23,818	4.22	3.6%
	$750,000 to $1,000,000	886,905	7,300	121.38	25,974	3.56	2.9%
	$1,000,000 to $1,500,000	1,244,290	7,968	155.06	33,690	4.23	2.7%
	$1,500,000 to $2,000,000	1,727,849	9,216	187.28	47,748	5.18	2.8%
	$2,000,000 to $2,500,000	2,234,452	10,409	214.39	57,181	5.49	2.6%
	$2,500,000 to $3,000,000	2,727,967	11,346	239.47	62,293	5.49	2.3%
	Over $3,000,000	4,272,820	17,323	255.91	91,985	5.31	2.2%
B	**Percentage of Prescription Volume to Total Sales**						
	Under 10%	$3,146,006	16,216	$198.66	$86,104	$5.31	2.7%
	10% to 20%	2,260,374	10,366	210.61	56,156	5.42	2.5%
	20% to 30%	1,492,767	8,394	172.17	37,565	4.48	2.5%
	30% to 40%	1,285,856	7,418	163.01	32,031	4.32	2.5%
	40% to 50%	1,195,520	6,826	164.73	29,844	4.37	2.5%
	Over 50%	760,939	3,931	193.58	24,777	6.30	3.3%
C	**Prescriptions Dispensed Daily**						
	Under 50	$1,008,307	7,450	$139.04	$40,817	$5.48	4.0%
	50 to 75	1,331,308	9,354	151.43	41,966	4.49	3.2%
	75 to 100	1,403,671	8,461	180.30	38,716	4.58	2.8%
	100 to 150	1,832,260	9,485	228.33	43,800	4.62	2.4%
	150 to 200	2,382,327	10,947	285.39	55,645	5.08	2.3%
	Over 200	2,840,986	10,067	443.03	61,652	6.12	2.2%
D	**Number of Units in Chain**						
	Under 11	$1,516,262	7,657	$198.01	$32,077	$4.19	2.1%
	11 to 25	1,678,040	9,407	178.38	45,447	4.83	2.7%
	26 to 50	1,614,560	8,806	169.18	41,735	4.74	2.6%
	51 to 100	1,881,897	10,629	177.05	35,940	3.38	1.9%
	Over 100	1,900,285	9,516	195.59	49,179	5.17	2.6%
E	**Geographic Location**						
	New England States	$1,564,310	7,343	$213.03	$38,238	$5.21	2.4%
	Middle Atlantic States	2,064,298	11,113	219.49	51,262	4.61	2.5%
	South Atlantic States	1,431,901	9,196	155.56	37,783	4.11	2.6%
	East North Central States	1,750,828	8,634	203.17	45,473	5.27	2.6%
	West North Central States	1,853,181	11,047	168.14	49,614	4.49	2.7%
	East South Central States	1,240,356	8,253	140.01	34,905	4.23	2.8%
	West South Central States	2,387,943	7,751	184.41	58,472	7.54	2.4%
	Mountain States	1,677,068	9,630	172.56	49,696	5.16	3.0%
	Pacific States	3,352,221	15,031	225.72	70,674	4.70	2.1%
	NACDS-LILLY DIGEST Average	1,824,139	9,386	188.40	46,268	4.93	2.5%
F	**Floor Size**						
	Under 1,500 square feet	$ 402,965	1,281	$314.57	$29,233	$22.82	7.3%
	1,500 to 4,999 square feet	1,015,027	3,568	284.51	26,751	7.50	2.6%
	5,000 to 9,999 square feet	1,429,626	7,589	188.38	36,472	4.81	2.6%
	10,000 to 12,499 square feet	2,013,190	11,086	181.60	50,423	4.55	2.5%
	12,500 to 14,999 square feet	2,329,936	13,552	171.93	63,432	4.68	2.7%
	15,000 to 17,499 square feet	3,948,457	16,180	244.03	80,536	4.98	2.0%
	17,500 to 19,999 square feet	4,016,974	18,455	217.66	107,432	5.82	2.7%
	20,000 to 30,000 square feet	4,417,388	23,592	187.24	118,318	5.02	2.7%
	Over 30,000 square feet	5,175,959	38,092	135.88	112,357	2.95	2.2%
G	**Store Age**						
	Under 2 years	$1,265,199	8,891	$142.30	$47,371	$5.33	3.7%
	2 to 5 years	1,621,556	9,803	165.42	47,264	4.82	2.9%
	6 to 10 years	1,967,957	10,992	179.03	49,355	4.49	2.5%
	Over 10 years	1,801,095	8,618	209.00	42,220	4.90	2.3%

*Based on averages of pharmacies that reported all data

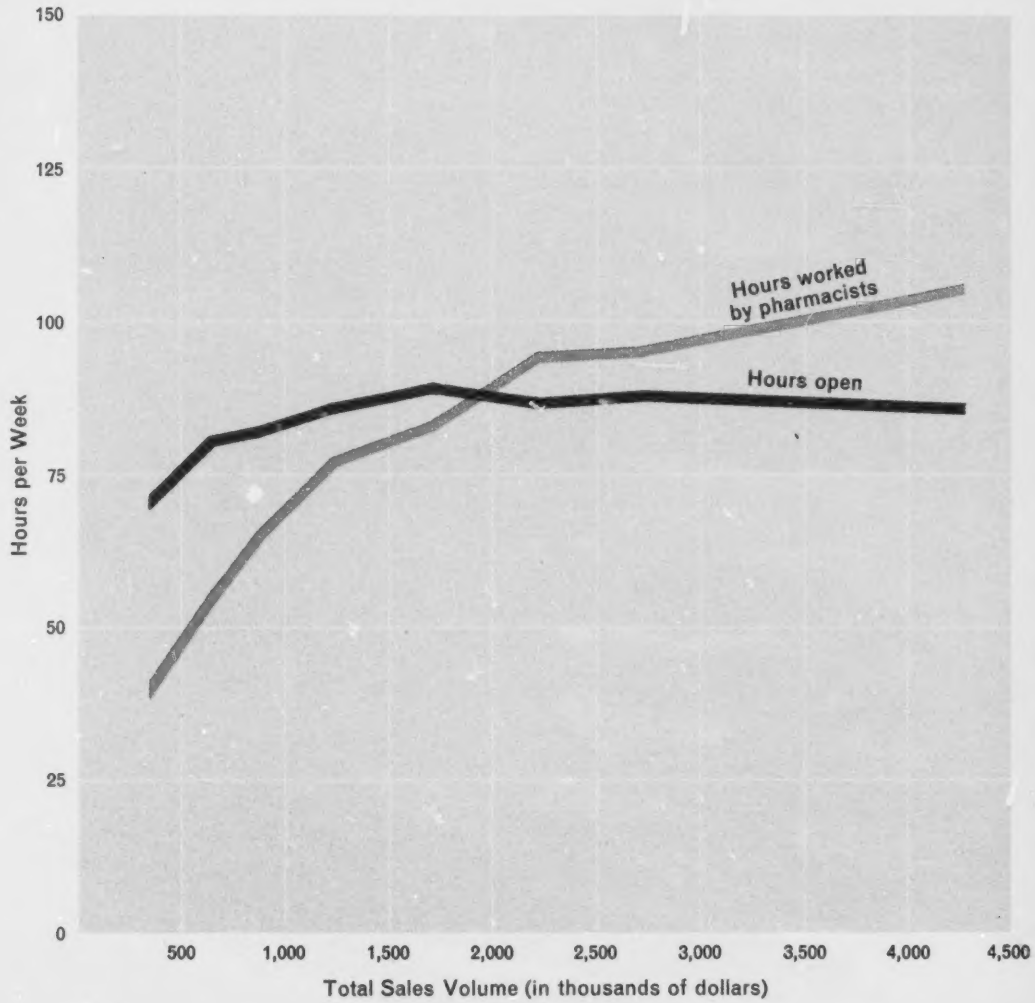
Pharmacy Hours

Earlier editions of the NACDS-LILLY DIGEST have described a trend toward longer business hours with a growing annual sales volume. In general, that pattern was observed in 1981, as shown in Chart 10; however, pharmacy units with annual income over $3,000,000 were open the same number of hours as stores with approximately one-fourth the sales volume. When data submitted for this year's DIGEST were compared with those for the previous year, there tended to be a slight increase in the number of hours open per week in stores with total sales volumes less than $2,000,000, whereas those with income in excess of $2,000,000 were open the same weekly hours as reported last year.

As stated earlier in the section on "Prescription Department Review" (page 12), greater prescription activity is accompanied by an increase in sales and in employed pharmacist hours. This association is illustrated by the data in Chart 10 which show that the number of hours worked by employed pharmacists peaked at 105 hours in units with sales volume over $3,000,000. The number of hours worked by employed pharmacists did not exceed the hours open per week until a sales level of $2,000,000 to $2,500,000 was attained. As would be expected, fewer employed pharmacist hours were reported for lower-volume operations because of the dual role of the pharmacist-manager. In stores with larger volume, prescription activity also rose, with the result that additional pharmacists had to be employed to carry the heavier workload. Although the pharmacist-manager may also be needed to assist staff pharmacists during periods of peak prescription activity, he usually devotes more time to managerial duties as sales volume increases.

CHART 10

Pharmacy hours according to sales volume



Geographic Review

Tables 13 and 14 summarize differences in operating statistics according to geographic region, which should be considered when an individual unit's operating figures are evaluated in comparison with the averages published in the DIGEST. Regional factors that contribute to variations in operating statistics are the cost of living, population density, buying power, and governmental and other third-party health programs. The geographic breakdowns are consistent with those of the U.S. Department of Commerce and can be compared with published regional economic statistics.

The Pacific States continue to report the highest average annual sales and the highest average prescription charge (Table 13).

Chain drugstores in the Middle Atlantic States dispensed the largest number of prescriptions and reported the lowest average prescription charge. A comparison with the amount of prescription volume recorded in 1980 shows the Pacific States with the largest increase in prescription activity, whereas the New England States reported the greatest decline. Mountain States dispensed the fewest prescriptions.

The East South Central States continue to generate the highest percent of prescription sales to total sales (25.6%, up from 23.5% in 1980), whereas the Pacific States had the lowest (10.9%, down from 12.9%). Stores in the South Atlantic States exhibited the largest increase in the percentage of prescription sales to total sales (up 6.9%).

Pharmacies in the Pacific States reported the greatest average square feet of floor area; these stores also posted the largest average annual sales, which caused this region to record the highest figure for sales per square foot.

Net profit ranged from a low of 1.8% of sales in the South Atlantic States to a high of 5.4% in the Pacific States. In comparison with 1980 data, the Pacific States showed the only improvement in net profit (up 0.3%). This essentially reflected a greater decline in total expenses than in gross margin as a percent of sales. The South Atlantic States, however, reported the biggest decline in net profit (down 3.3% to 1.8% of sales). Their decrease resulted from a small reduction in gross margin and a significant increase in total expenses, percentagewise. The increase in total expenses may be attributed to a dramatic rise in miscellaneous operating costs.

Table 14 provides an opportunity to compare pharmacy operating statistics in various regions. For individual store comparison, see the appropriate table in the "Heart of the NACDS-LILLY DIGEST."

TABLE 13

Geographic summary of selected statistics

	Total Sales (in millions of dollars)	Number of Prescriptions (in thousands)	Percent of Prescription Sales to Total Sales	Net Profit (percent of sales)	Average Prescription Charge	Hours Open Weekly
New England States	$1.6	42.8	22.0%	2.9%	$8.05	83
Middle Atlantic States	2.1	60.6	23.3%	4.4%	7.94	84
South Atlantic States	1.4	43.7	25.3%	1.8%	8.30	93
East North Central States	1.8	42.7	20.4%	3.5%	8.36	88
West North Central States	1.9	38.0	18.6%	3.2%	9.06	82
East South Central States	1.2	39.9	25.6%	3.4%	7.94	86
West South Central States	2.4	50.3	16.8%	3.7%	7.98	78
Mountain States	1.7	38.0	19.8%	3.0%	8.74	95
Pacific States	3.4	38.7	10.9%	5.4%	9.44	79
U.S. Average	1.8	44.0	20.0%	3.6%	8.31	86

TABLE 14 Chain operations according to geographic location

AVERAGES PER PHARMACY	New England States (147 Pharmacies)		Middle Atlantic States (177 Pharmacies)		South Atlantic States (181 Pharmacies)		East North Central States (449 Pharmacies)	
Sales								
Prescription	$ 344,000	22.0%	$ 481,815	23.3%	$ 362,315	25.3%	$ 356,489	20.4%
Other	1,220,310	78.0%	1,582,483	76.7%	1,069,586	74.7%	1,394,339	79.6%
Total	$1,564,310	100.0%	$2,064,298	100.0%	$1,431,901	100.0%	$1,750,828	100.0%
Cost of goods sold	1,115,981	71.3%	1,472,429	71.3%	995,337	69.5%	1,250,331	71.4%
Gross margin	$ 448,329	28.7%	$ 591,869	28.7%	$ 436,564	30.5%	$ 500,497	28.6%
Expenses								
Manager's salary	$ 22,447	1.4%	$ 26,150	1.3%	$ 26,618	1.9%	$ 30,415	1.7%
Employees' wages	153,109	9.8%	157,547	7.6%	143,683	10.0%	168,535	9.6%
Rent	38,238	2.4%	51,262	2.5%	37,783	2.6%	45,473	2.6%
Utilities (including telephone)	20,069	1.3%	24,473	1.2%	24,471	1.7%	19,741	1.1%
Insurance, licenses, and taxes (except on profit)	19,073	1.2%	25,691	1.3%	27,302	1.9%	37,656	2.1%
Repairs	5,824	0.4%	10,787	0.5%	8,195	0.6%	7,862	0.4%
Advertising	23,109	1.5%	43,648	2.1%	27,323	1.9%	30,727	1.8%
Depreciation (except on buildings)	12,879	0.8%	12,741	0.6%	8,701	0.6%	9,982	0.6%
Supplies	10,466	0.7%	11,420	0.6%	7,597	0.6%	8,982	0.5%
Headquarters fee	68,560	4.4%	105,317	5.1%	50,197	3.5%	58,682	3.4%
All other direct store expenses	29,721	1.9%	31,082	1.5%	48,371	3.4%	21,922	1.3%
		12.2%		12.9%		14.2%		11.2%
Total expenses	$ 403,495	25.8%	$ 500,118	24.3%	$ 410,241	28.7%	$ 439,977	25.1%
Net profit (before taxes)	$ 44,834	2.9%	$ 91,751	4.4%	$ 26,323	1.8%	$ 60,520	3.5%
Warehouse fee*	$ 19,167	2.2%	$ 47,335	2.8%	$ 31,034	2.8%	$ 17,820	1.9%
As a percent of cost of goods sold		3.1%		3.7%		4.1%		2.7%
Value of inventory at cost and as a percent of sales								
Prescription	$ 29,330	8.5%	$ 37,104	7.7%	$ 31,675	8.7%	$ 31,747	8.9%
Other	210,599	17.3%	263,333	16.6%	233,549	20.9%	216,432	15.5%
Total	$ 239.929	15.3%	$ 300,437	14.6%	$ 255,224	17.8%	$ 248,179	14.2%
Annual rate of turnover of inventory		4.9 times		4.9 times		3.9 times		5.1 times
Size of area and sales per square foot*	sq. ft.		sq. ft.		sq. ft.		sq. ft.	
Prescription	392	$877.35	368	$1,132.68	293	$1,234.86	304	$1,169.54
Other	6,951	175.56	10,745	188.20	8,903	120.05	8,330	167.95
Total	7,343	213.03	11,113	219.49	9,196	155.56	8,634	203.17
Sales per dollar invested in inventory								
Prescription		$11.73		$12.99		$11.44		$11.23
Other		5.79		6.01		4.78		6.44
Net profit per dollar invested in inventory		$0.187		$0.305		$0.103		$0.244
Number of prescriptions dispensed								
New	21,177	49.5%	32,201	53.1%	24,723	56.6%	23,222	54.4%
Renewed	21,582	50.5%	28,445	46.9%	18,955	43.4%	19,435	45.6%
Total	42,759	100.0%	60,646	100.0%	43,678	100.0%	42,657	100.0%
Prescription charge		$8.05		$7.94		$8.30		$8.36
Number of hours per week								
Pharmacy was open		83 hours		84 hours		93 hours		88 hours
Worked by manager		47 hours		45 hours		46 hours		47 hours
Worked by employed pharmacist(s)		81 hours		75 hours		87 hours		78 hours

*Based on averages of pharmacies that reported all data

West North Central States (128 Pharmacies)		East South Central States (232 Pharmacies)		West South Central States (102 Pharmacies)		Mountain States (65 Pharmacies)		Pacific States (120 Pharmacies)		U.S. Average (1,601 Pharmacies)	
$ 343,969—	18.6%	$ 317,200—	25.6%	$ 401,169—	16.8%	$ 332,093—	19.8%	$ 365,313—	10.9%	$ 365,680—	20.0%
1,509,212—	81.4%	923,156—	74.4%	1,986,774—	83.2%	1,344,975—	80.2%	2,986,908—	89.1%	1,458,459—	80.0%
$1,853,181—	100.0%	$1,240,356—	100.0%	$2,387,943—	100.0%	$1,677,068—	100.0%	$3,352,221—	100.0%	$1,824,139—	100.0%
1,306,947—	70.5%	878,028—	70.8%	1,783,507—	74.7%	1,181,126—	70.4%	2,445,780—	73.0%	1,305,059—	71.5%
$ 546,234—	29.5%	$ 362,328—	29.2%	$ 604,436—	25.3%	$ 495,942—	29.6%	$ 906,441—	27.0%	$ 519,080—	28.5%
$ 29,494—	1.6%	$ 24,784—	2.0%	$ 29,675—	1.2%	$ 29,182—	1.7%	$ 29,842—	0.9%	$ 27,753—	1.5%
184,283—	9.9%	127,004—	10.2%	250,921—	10.5%	176,108—	10.5%	317,219—	9.5%	175,036—	9.6%
49,614—	2.7%	34,905—	2.8%	58,472—	2.4%	49,696—	3.0%	70,674—	2.1%	46,268—	2.5%
18,995—	1.0%	19,372—	1.6%	31,420—	1.3%	21,338—	1.3%	27,727—	0.8%	22,123—	1.2%
31,524—	1.7%	22,344—	1.8%	46,467—	2.0%	29,849—	1.8%	69,727—	2.1%	33,396—	1.9%
9,061—	0.5%	4,807—	0.4%	1,360—	0.1%	10,466—	0.6%	10,175—	0.3%	7,554—	0.4%
38,182—	2.1%	21,621—	1.8%	7,827—	0.3%	33,562—	2.0%	64,005—	1.9%	31,498—	1.7%
12,230—	0.7%	6,746—	0.5%	19,505—	0.8%	7,576—	0.5%	16,255—	0.5%	11,098—	0.6%
9,724—	0.5%	7,983—	0.6%	21,114—	0.9%	8,219—	0.5%	16,881—	0.5%	10,480—	0.6%
62,690—	3.4%	28,323—	2.3%	12,722—	0.6%	48,305—	2.9%	53,009—	1.6%	55,932—	3.1%
41,250—	2.2%	22,608—	1.8%	36,446—	1.5%	30,762—	1.8%	48,930—	1.4%	31,593—	1.8%
12.1%		10.8%		7.5%		11.4%		9.1%		11.3%	
$ 487,047—	26.3%	$ 320,497—	25.8%	$ 515,929—	21.6%	$ 445,063—	26.6%	$ 724,444—	21.6%	$ 452,731—	24.9%
$ 59,187—	3.2%	$ 41,831—	3.4%	$ 88,507—	3.7%	$ 50,879—	3.0%	$ 181,997—	5.4%	$ 66,349—	3.6%
$ 11,643—	1.3%	$ 14,549—	1.9%	$ 9,304—	1.2%	$ 10,405—	1.4%	$ 7,204—	2.3%	$ 25,155—	2.4%
	1.8%		2.7%		1.7%		1.9%		3.3%		3.4%
$ 34,005—	9.9%	$ 30,864—	9.7%	$ 35,486—	8.8%	$ 29,848—	9.0%	$ 29,734—	8.1%	$ 32,172—	8.8%
252,704—	16.7%	214,452—	23.2%	276,844—	13.9%	254,721—	18.9%	389,313—	13.0%	242,861—	16.7%
$ 286,709—	15.5%	$ 245,316—	19.8%	$ 312,330—	13.1%	$ 284,569—	17.0%	$ 419,047—	12.5%	$ 275,033—	15.1%
	4.6 times		3.6 times		5.7 times		4.2 times		6.0 times		4.8 times
sq. ft.		sq. ft.		sq. ft.		sq. ft.		sq. ft.		sq. ft.	
461	$744.30	362	$866.42	391	$1,028.28	357	$921.91	383	$972.47	349	$1,008.35
10,586	143.04	7,891	106.67	7,360	144.87	9,273	143.70	14,648	206.20	9,037	156.75
11,047	168.14	8,253	140.01	7,751	184.41	9,630	172.56	15,031	225.72	9,386	188.40
	$10.12		$10.28		$11.31		$11.13		$12.29		$11.37
	5.97		4.30		7.18		5.28		7.67		6.01
	$0.206		$0.171		$0.283		$0.179		$0.434		$0.241
18,237—	48.0%	21,833—	54.7%	29,595—	58.9%	21,371—	56.3%	22,310—	57.6%	23,859—	54.2%
19,740—	52.0%	18,106—	45.3%	20,658—	41.1%	16,619—	43.7%	16,396—	42.4%	20,142—	45.8%
37,977—	100.0%	39,939—	100.0%	50,253—	100.0%	37,990—	100.0%	38,706—	100.0%	44,001—	100.0%
	$9.06		$7.94		$7.98		$8.74		$9.44		$8.31
	82 hours		86 hours		78 hours		95 hours		79 hours		86 hours
	47 hours		47 hours		45 hours		47 hours		45 hours		46 hours
	91 hours		79 hours		68 hours		93 hours		87 hours		82 hours

Pharmacy Location

Table 15 illustrates how the operating statistics of chain pharmacies differ according to location. The distribution of locations for the units participating in 1981 was as follows:

Downtown	7.9%
Neighborhood	11.4%
Neighborhood shopping center	69.7%
Regional shopping center	10.3%
Medical office building	0.7%

In the first four categories, pharmacies in downtown business districts reported the highest gross margin and, therefore, the lowest cost of goods sold. However, these stores failed to make the largest net profit because of sizable total expenses—notably, the wage package. Downtown operations recorded the highest prescription charge as well as the lowest number of prescriptions dispensed.

Chain drugstores in regional shopping centers had the largest annual sales volume and net profit but the lowest prescription department revenue as a percent of sales. The turnover rate in such units was the highest, while inventory investment, as a percent of sales, was the smallest. Net profit per dollar invested in inventory was greatest in these outlets.

Although only a small number of medical office building pharmacies responded, their data are included in order to provide chain managers with an understanding of this kind of operation.

The operating statistics of medical office building locations are characterized by a high gross margin, a large prescription income as a percent of total sales, and a relatively small floor area. However, greater total expenses offset the favorable gross margin, and this produces a lower net profit. Such stores usually have more rental expense per square foot of space because of their location and smaller physical size. Medical office building pharmacies report the lowest number of hours open and employed pharmacist hours worked, which may reflect the office hours of physicians located in the buildings.

TABLE 15 Chain operations according to location

AVERAGES PER PHARMACY
Sales
Prescription
Other
Total
Cost of goods sold
Gross margin
Expenses
Manager's salary
Employees' wages
Rent
Utilities (including telephone)
Insurance, licenses, and taxes (except on profit)
Repairs
Advertising
Depreciation (except on buildings)
Supplies
Headquarters fee
All other direct store expenses
Total expenses
Net profit (before taxes)
Value of inventory at cost and as a percent of sales
Prescription
Other
Total
Annual rate of turnover of inventory
Size of area and sales per square foot*
Prescription
Other
Total
Sales per dollar invested in inventory
Prescription
Other
Net profit per dollar invested in inventory
Number of prescriptions dispensed
New
Renewed
Total
Prescription charge
Number of hours per week
Pharmacy was open
Worked by manager
Worked by employed pharmacist(s)

*Based on averages of pharmacies that reported all data

Downtown Business District (127 Pharmacies)	Neighborhood (182 Pharmacies)	Neighborhood Shopping Center (1,112 Pharmacies)	Regional Shopping Center (163 Pharmacies)	Medical Office Building (11 Pharmacies)
$ 300,282— 20.0%	$ 373,949— 19.5%	$ 376,383— 20.6%	$ 346,635— 17.1%	$210,026— 54.2%
1,203,030— 80.0%	1,540,259— 80.5%	1,451,036— 79.4%	1,679,287— 82.9%	177,579— 45.8%
$1,503,312—100.0%	$1,914,208—100.0%	$1,827,419—100.0%	$2,025,922—100.0%	$387,605—100.0%
1,059,510— 70.5%	1,374,707— 71.8%	1,310,294— 71.7%	1,439,093— 71.0%	238,629— 61.6%
$ 443,802— 29.5%	$ 539,501— 28.2%	$ 517,125— 28.3%	$ 586,829— 29.0%	$148,976— 38.4%
$ 26,584— 1.8%	$ 29,673— 1.6%	$ 27,442— 1.5%	$ 28,951— 1.4%	$ 21,286— 5.5%
156,577— 10.4%	183,085— 9.6%	175,402— 9.6%	184,986— 9.1%	48,660— 12.6%
38,286— 2.5%	46,938— 2.5%	45,673— 2.5%	56,668— 2.8%	29,565— 7.6%
14,370— 1.0%	22,336— 1.2%	23,266— 1.3%	21,287— 1.1%	4,775— 1.2%
30,465— 2.0%	37,902— 2.0%	33,337— 1.8%	31,797— 1.6%	10,998— 2.9%
5,675— 0.3%	8,092— 0.4%	7,652— 0.4%	8,026— 0.4%	1,718— 0.4%
25,083— 1.7%	28,307— 1.5%	32,302— 1.8%	35,959— 1.8%	1,423— 0.4%
8,702— 0.6%	12,053— 0.6%	11,264— 0.6%	10,985— 0.5%	3,967— 1.0%
7,561— 0.5%	11,119— 0.5%	10,918— 0.6%	9,516— 0.5%	3,853— 1.0%
45,207— 3.0%	51,930— 2.7%	58,416— 3.2%	54,921— 2.7%	10,581— 2.7%
22,303— 1.5%	28,428— 1.5%	33,033— [illegible]%	33,962— 1.7%	9,771— 2.5%
10.6%	10.4%	11.5%	10.3%	12.1%
$ 380,813— 25.3%	$ 459,863— 24.1%	$ 458,705— 25 %	$ 477,058— 23.6%	$146,597— 37.8%
$ 62,989— 4.2%	$ 79,638— 4.1%	$ 58,420— [illegible]	$ 109,771— 5.4%	$ 2,379— 0.6%
$ 29,208— 9.7%	$ 32,475— 8.7%	$ 32,609— 8.7%	$ 31,545— 9.1%	$ 27,914— 13.3%
184,532— 15.3%	237,860— 15.4%	250,758— 17.3%	251,450— 15.0%	47,966— 27.0%
$ 213,740— 14.2%	$ 270,335— 14.1%	$ 283,367— 15.5%	$ 282,995— 14.0%	$ 75,880— 19.6%
5.1 times	5.1 times	4.7 times	5.2 times	3.1 times
sq. ft.	sq. ft.	sq. ft.	sq. ft.	sq. ft.
344 $822.38	356 $1,033.58	340 $1,065.28	401 $830.47	378 $555.62
6,190 195.70	8,880 166.43	9,563 146.92	8,509 198.33	1,391 127.66
6,534 245.56	9,236 227.22	9,903 222.31	8,910 282.91	1,769 219.11
$10.28	$11.51	$11.54	$10.99	$7.52
6.52	6.48	5.79	6.68	3.70
$0.295	$0.295	$0.206	$0.388	$0.031
17,834— 50.8%	24,094— 54.1%	24,945— 54.7%	21,593— 52.8%	14,800— 55.8%
17,264— 49.2%	20,468— 45.9%	20,648— 45.3%	19,277— 47.2%	11,710— 44.2%
35,098—100.0%	44,562—100.0%	45,593—100.0%	40,870—100.0%	26,510—100.0%
$8.56	$8.39	$8.26	$8.48	$7.92
76 hours	89 hours	88 hours	81 hours	57 hours
46 hours	47 hours	46 hours	45 hours	45 hours
69 hours	87 hours	82 hours	81 hours	45 hours

Two-Year Comparison of the Same Pharmacies

Table 16 offers a summary of operating statistics of 873 chain units that submitted figures for both 1980 and 1981. The right-hand column includes 728 stores that sent data to the NACDS-LILLY DIGEST for the first time.

The two-year comparison indicates that the cost of goods sold rose as a percent of sales, which sent gross margin down. A reduction, percentage-wise, in total expenses was not sufficient to offset an increase in cost of goods sold and brought about a decline in net profit. Although net profit was lower as a percent of sales, it did show a 5% increase in dollars. The operations that participated for two years reported a slight decline in the number of prescriptions dispensed and demonstrated an upward trend in the average prescription charge, which increased by 14.1%.

Chain stores that had not previously sent in data reported a lower total sales volume and dispensed fewer prescriptions. In dollars and percent of sales, gross margin was lower than in the two-year group. Higher total expenses as a percent of sales resulted in a much lower net profit. The average prescription charge was relatively similar in both groups.

TABLE 16

Summary of operating figures in pharmacies reporting two years and one year

AVERAGES PER PHARMACY	873 Pharmacies Reporting Both Years 1981	1980	Amount and Percent of Change	728 Pharmacies Reporting Only in 1981
Sales				
Prescription	$ 365,929— 19.5%	$ 322,159— 18.4%	+$ 43,770—13.6%	$ 365,381— 20.8%
Other	1,513,528— 80.5%	1,432,618— 81.6%	+$ 80,910— 5.6%	1,392,422— 79.2%
Total	$1,879,457—100.0%	$1,754,777—100.0%	+$124,680— 7.1%	$1,757,803—100.0%
Cost of goods sold	1,341,901— 71.4%	1,248,227— 71.1%	+$ 93,674— 7.5%	1,260,880— 71.7%
Gross margin	$ 537,556— 28.6%	$ 506,550— 28.9%	+$ 31,006— 6.1%	$ 496,923— 28.3%
Expenses				
Manager's salary	$ 27,189— 1.4%	$ 26,901— 1.5%	+$ 288— 1.1%	$ 28,430— 1.6%
Employees' wages	178,540— 9.5%	170,282— 9.7%	+$ 8,258— 4.8%	170,834— 9.7%
Rent	49,315— 2.6%	47,539— 2.7%	+$ 1,776— 3.7%	42,614— 2.4%
Other operating costs	199,197— 10.7%	182,501— 10.4%	+$ 16,696— 9.1%	209,042— 12.0%
Total expenses	$ 454,241— 24.2%	$ 427,223— 24.3%	+$ 27,018— 6.3%	$ 450,920— 25.7%
Net profit (before taxes)	$ 83,315— 4.4%	$ 79,327— 4.6%	+$ 3,988— 5.0%	$ 46,003— 2.6%
Number of prescriptions	44,475	44,688	— 213— 0.5%	43,432
Prescription charge	$8.23	$7.21	+$ 1.02—14.1%	$8.41

In Conclusion

In light of the current economic environment, it has become more important for management to exercise efficient controls within each pharmacy unit in order to sustain a profit. The high cost of capital continues to make it even more desirable to generate internally the funds necessary to finance planned expansion.

The trend toward higher operating costs is expected to continue and, therefore, makes it a priority for chain managers to monitor their unit's operating statistics, evaluate these statistics against goals and industry averages, and initiate appropriate action suggested by such analysis. It is through such cost-control procedures that profits can be retained as capital and may be used to fund expansion.

It is hoped that the NACDS-LILLY DIGEST will provide one tool which can be used effectively by chain managers in their review process. Comparison with similar operations should assist managers in the decision-making process and provide the means for a realistic appraisal of a firm's performance.

For immediate submission to the NACDS-Lilly Analysis Service, forms are now available upon request from:

Lilly Analysis Service
National Association of Chain Drug Stores, Inc.
P. O. Box 1417-D49, Alexandria, Virginia 22313

NACDS headquarters will again send out forms early in 1983 for participation in the 1983 NACDS-LILLY DIGEST.

NACDS